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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

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

**For the quarterly period ended September 27, 2008**

**or**

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

**For the transition period from to**

**Commission File Number: 1-5057**

# OFFICEMAX INCORPORATED

(Exact name of registrant as specified in its charter)

| **Delaware**<br>(State or other jurisdiction of incorporation or organization) | **82-0100960**<br>(I.R.S. Employer Identification No.) |
|---|---|
| **263 Shuman Boulevard**<br>**Naperville, Illinois**<br>(Address of principal executive offices) | **60563**<br>(Zip Code) |

**(630) 438-7800**
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer ☒ Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class | Shares Outstanding as of October 31, 2008 |
|---|---|
| Common Stock, $2.50 par value | 75,957,787 |

## TABLE OF CONTENTS

### PART I—FINANCIAL INFORMATION


| | | |
|---|---|---|
| Item 1. | Financial Statements | 3 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 31 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 50 |
| Item 4. | Controls and Procedures | 50 |


### PART II—OTHER INFORMATION


| | | |
|---|---|---|
| Item 1. | Legal Proceedings | 51 |
| Item 1A. | Risk Factors | 51 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 55 |
| Item 3. | Defaults Upon Senior Securities | 55 |
| Item 4. | Submission of Matters to a Vote of Security Holders | 55 |
| Item 5. | Other Information | 56 |
| Item 6. | Exhibits | 56 |

## PART I—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

### OfficeMax Incorporated and Subsidiaries

### Consolidated Statements of Income (Loss)

### (thousands, except per-share amounts)

| | Quarter Ended | |
|---|---|---|
| | September 27, 2008 | September 29, 2007 |
| | (unaudited) | |
| Sales | $ 2,096,337 | $ 2,315,219 |
| Cost of goods sold and occupancy costs | 1,569,870 | 1,727,161 |
| **Gross profit** | 526,467 | 588,058 |
| Operating expenses: | | |
| Operating and selling | 394,590 | 419,765 |
| General and administrative | 77,664 | 78,060 |
| Goodwill and other asset impairments | 735,750 | — |
| **Operating income (loss)** | (681,537) | 90,233 |
| Interest expense | (29,822) | (31,220) |
| Interest income | 3,318 | 21,814 |
| Other income (expense), net | (25) | (179) |
| **Income (loss) before income taxes and minority interest** | (708,066) | 80,648 |
| Income taxes | 276,415 | (29,080) |
| **Income (loss) before minority interest** | (431,651) | 51,568 |
| Minority interest, net of income tax | (232) | (1,639) |
| **Net income (loss)** | (431,883) | 49,929 |
| Preferred dividends | (812) | (931) |
| **Net income (loss) applicable to common shareholders** | $ (432,695) | $ 48,998 |
| Income (loss) per common share: | | |
| Basic | $ (5.70) | $ 0.65 |
| Diluted | $ (5.70) | $ 0.64 |

See accompanying notes to quarterly consolidated financial statements

**OfficeMax Incorporated and Subsidiaries**

**Consolidated Statements of Income (Loss)**

**(thousands, except per-share amounts)**

| | Nine Months Ended | |
|---|---|---|
| | September 27, 2008 | September 29, 2007 |
| | (unaudited) | |
| Sales | $ 6,383,899 | $ 6,883,890 |
| Cost of goods sold and occupancy costs | 4,786,026 | 5,136,809 |
| **Gross profit** | 1,597,873 | 1,747,081 |
| Operating expenses: | | |
| Operating and selling | 1,191,688 | 1,233,114 |
| General and administrative | 229,305 | 257,694 |
| Other operating (income) expense, net | 11,274 | — |
| Goodwill and other asset impairments | 1,671,090 | — |
| **Operating income (loss)** | (1,505,484) | 256,273 |
| Interest expense | (89,144) | (91,296) |
| Interest income | 46,900 | 66,628 |
| Other income (expense), net | 20,679 | (5,858) |
| **Income (loss) before income taxes and minority interest** | (1,527,049) | 225,747 |
| Income taxes | 265,481 | (85,669) |
| **Income (loss) before minority interest** | (1,261,568) | 140,078 |
| Minority interest, net of income tax | (1,191) | (4,174) |
| **Net income (loss)** | (1,262,759) | 135,904 |
| Preferred dividends | (2,839) | (2,947) |
| **Net income (loss) applicable to common shareholders** | $(1,265,598) | $ 132,957 |
| Income (loss) per common share: | | |
| Basic | $ (16.69) | $ 1.77 |
| Diluted | $ (16.69) | $ 1.74 |

See accompanying notes to quarterly consolidated financial statements

**OfficeMax Incorporated and Subsidiaries**

**Consolidated Balance Sheets**

**(thousands, except share and per-share amounts)**

| | September 27, 2008 | December 29, 2007 |
|---|---|---|
| | (unaudited) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 234,511 | $ 152,637 |
| Receivables, net | 643,716 | 714,951 |
| Related party receivables | 6,839 | 5,927 |
| Inventories | 990,468 | 1,088,312 |
| Restricted investments, current | 20,252 | — |
| Deferred income taxes, current | 102,337 | 185,070 |
| Other current assets | 66,600 | 57,804 |
| **Total current assets** | 2,064,723 | 2,204,701 |
| Property and equipment: | | |
| Land and land improvements | 42,080 | 44,737 |
| Buildings and improvements | 488,785 | 441,989 |
| Machinery and equipment | 796,473 | 792,883 |
| **Total property and equipment** | 1,327,338 | 1,279,609 |
| Accumulated depreciation | (748,979) | (698,954) |
| **Net property and equipment** | 578,359 | 580,655 |
| Goodwill | 345,692 | 1,216,804 |
| Intangible assets, net | 112,884 | 199,720 |
| Investments in affiliates | 175,000 | 175,000 |
| Timber notes receivable | 899,250 | 1,635,000 |
| Restricted investments | 2,125 | 22,377 |
| Deferred charges | 52,499 | 58,949 |
| Deferred income taxes, non-current | 260,734 | — |
| Other non-current assets | 199,010 | 190,562 |
| **Total assets** | $ 4,690,276 | $ 6,283,768 |

See accompanying notes to quarterly consolidated financial statements

**OfficeMax Incorporated and Subsidiaries**

**Consolidated Balance Sheets**

**(thousands, except share and per-share amounts)**

| | September 27, 2008 | | December 29, 2007 | |
|---|---|---|---|---|
| | (unaudited) | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| Current liabilities: | | | | |
| Short-term borrowings | $ | 9,831 | $ | 14,197 |
| Current portion of long-term debt | | 35,788 | | 34,827 |
| Income taxes payable | | 38,357 | | 33,887 |
| Accounts payable: | | | | |
| Trade | | 780,830 | | 831,101 |
| Related parties | | 39,853 | | 30,184 |
| Accrued expenses and other current liabilities: | | | | |
| Compensation and benefits | | 118,277 | | 125,983 |
| Other | | 296,055 | | 300,530 |
| **Total current liabilities** | | 1,318,991 | | 1,370,709 |
| Long-term debt: | | | | |
| Long-term debt, less current portion | | 328,373 | | 349,421 |
| Timber notes securitized | | 1,470,000 | | 1,470,000 |
| **Total long-term debt** | | 1,798,373 | | 1,819,421 |
| Other long-term obligations: | | | | |
| Compensation and benefits | | 180,155 | | 200,283 |
| Deferred gain on sale of assets | | 179,757 | | 179,757 |
| Other long-term obligations | | 244,646 | | 402,984 |
| **Total other long-term obligations** | | 604,558 | | 783,024 |
| **Minority interest** | | 35,679 | | 32,042 |
| **Commitments and contingent liabilities** | | | | |
| Shareholders' equity: | | | | |
| Preferred stock—no par value; 10,000,000 shares authorized; Series D ESOP: $.01 stated value; 992,298 and 1,110,867 shares outstanding | | 44,653 | | 49,989 |
| Common stock—$2.50 par value; 200,000,000 shares authorized; 75,952,456 and 75,397,094 shares outstanding | | 189,872 | | 188,481 |
| Additional paid-in capital | | 924,751 | | 922,414 |
| Retained earnings, (deficit) | | (204,813) | | 1,095,950 |
| Accumulated other comprehensive income, (loss) | | (21,788) | | 21,738 |
| **Total shareholders' equity** | | 932,675 | | 2,278,572 |
| **Total liabilities and shareholders' equity** | $ | 4,690,276 | $ | 6,283,768 |

See accompanying notes to quarterly consolidated financial statements

**OfficeMax Incorporated and Subsidiaries**

**Consolidated Statements of Cash Flows**

**(thousands)**

| | Nine Months Ended | |
|---|---|---|
| | September 27, 2008 | September 29, 2007 |
| | (unaudited) | |
| **Cash provided by operations:** | | |
| Net income (loss) | $(1,262,759) | $ 135,904 |
| Items in net income (loss) not using (providing) cash: | | |
| Earnings from affiliates | (4,657) | (4,543) |
| Depreciation and amortization | 105,235 | 97,512 |
| Non-cash impairment charges | 1,671,090 | — |
| Non-cash deferred taxes on impairment charges | (319,363) | — |
| Minority interest, net of income tax | 1,191 | 4,174 |
| Other | (2,144) | 29,543 |
| Changes other than from acquisition of business: | | |
| Receivables | 58,898 | (173,568) |
| Inventories | 86,005 | 86,329 |
| Accounts payable and accrued liabilities | (19,431) | (205,878) |
| Current and deferred income taxes | (13,299) | 16,641 |
| Other | (54,038) | 45,339 |
| Cash provided by operations | 246,728 | 31,453 |
| **Cash used for investment:** | | |
| Expenditures for property and equipment | (112,065) | (101,339) |
| Other | 9,440 | (748) |
| Cash used for investment | (102,625) | (102,087) |
| **Cash used for financing:** | | |
| Cash dividends paid | (34,359) | (35,758) |
| Short-term borrowings (repayments), net | (4,351) | 28 |
| Payments of long-term debt | (34,849) | (25,510) |
| Borrowings long-term debt | 12,808 | — |
| Proceeds from exercise of stock options | — | 5,852 |
| Other | 130 | (10,022) |
| Cash used for financing | (60,621) | (65,410) |
| **Effect of exchange rates on cash and cash equivalents** | (1,608) | 1,325 |
| **Increase (decrease) in cash and cash equivalents** | 81,874 | (134,719) |
| **Cash and cash equivalents at beginning of period** | 152,637 | 282,070 |
| **Cash and cash equivalents at end of period** | **$ 234,511** | **$ 147,351** |

See accompanying notes to quarterly consolidated financial statements

**Notes to Quarterly Consolidated Financial Statements (Unaudited)**

**1. Basis of Presentation**

OfficeMax Incorporated ("OfficeMax," the "Company" or "we") is a leader in both business-to-business and retail office products distribution. The Company provides office supplies and paper, print and document services, technology products and solutions and furniture to large, medium and small businesses, government offices, and consumers. OfficeMax customers are serviced by over 30,000 associates through direct sales, catalogs, the Internet and a network of retail stores located throughout the United States, Canada, Australia, New Zealand and Mexico.

The accompanying quarterly consolidated financial statements include the accounts of OfficeMax and all majority-owned subsidiaries as well as those of variable interest entities in which the Company is the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation. These financial statements are for the thirteen and thirty-nine week periods ended on September 27, 2008 (also referred to as the "third quarter of 2008" and "year-to-date 2008", respectively) and the thirteen and thirty-nine week periods ended on September 29, 2007 (also referred to as the "third quarter of 2007" and "year-to-date 2007", respectively). The Company's fiscal year ends on the last Saturday in December. Due primarily to statutory audit requirements, the Company's international businesses maintain December 31 year-ends.

The Company has prepared the quarterly consolidated financial statements included herein pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Some information and note disclosures, which would normally be included in comprehensive annual financial statements prepared in accordance with accounting principles generally accepted in the United States, have been condensed or omitted pursuant to those rules and regulations. These quarterly consolidated financial statements should be read together with the consolidated financial statements and the accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 29, 2007.

The quarterly consolidated financial statements included herein have not been audited by an independent registered public accounting firm, but in the opinion of management, include all adjustments necessary to present fairly the results for the periods. Except as disclosed within these "Notes to Quarterly Consolidated Financial Statements," the adjustments made were of a normal, recurring nature. Quarterly results are not necessarily indicative of results which may be expected for a full year.

Certain amounts included in the prior year financial statements have been revised to conform with the current year presentation. In the current year, amounts for the sub-components of property and equipment in the Consolidated Balance Sheet were revised to correct the amounts reported within each sub-component. Land and land improvements and buildings and improvements increased by $6.5 million and $48.0 million, respectively, while machinery and equipment decreased by $54.5 million. There was no change to total property and equipment. Also in the current year, amounts related to earnings from affiliates, previously recorded as other operating, net in the Consolidated Income Statements, were condensed into general and administrative expenses due to their immateriality. The effect of these revisions on the amounts reported for 2007 was not material.

In September 2006, the FASB issued SFAS 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP") and expands disclosure about fair value measurements. In February 2008, the FASB issued FASB Staff Position No. SFAS 157-2, "Effective Date of FASB Statement No. 157," which deferred the effective date of SFAS No. 157 until the first quarter of 2009 for non-financial assets and liabilities required to be measured at fair value on a periodic basis. In accordance with this interpretation,

**1. Basis of Presentation (Continued)**

effective at the beginning of fiscal year 2008, the Company adopted the provisions of SFAS 157 with respect to financial assets and liabilities, which did not affect the Consolidated Financial Statements. The Company will adopt the provisions of SFAS No. 157 for non-financial assets and liabilities in the first quarter of 2009 and is currently evaluating the impact of the provisions of the standard on the remeasurement of these assets and liabilities.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of SFAS 115," ("SFAS 159"). SFAS 159, which was effective at the beginning of fiscal year 2008, allows entities to choose, at specific election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. The Company did not elect to adopt the fair value option provided under SFAS 159.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations." This statement amends SFAS No. 141 and provides revised guidance for recognizing and measuring assets acquired and liabilities assumed in a business combination. This statement also requires that transaction costs in a business combination be expensed as incurred. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS No. 141R will impact the accounting for business combinations completed after January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements." SFAS 160 requires noncontrolling interests (previously referred to as minority interests) to be treated as a separate component of equity, not as a liability or other item outside of permanent equity. SFAS 160 applies to the accounting for noncontrolling interests and transactions with noncontrolling interest holders in consolidated financial statements and is effective for periods beginning on or after December 15, 2008. Earlier application is prohibited. SFAS No. 160 will be applied prospectively to all noncontrolling interests, including those that arose before the effective date, except that comparative prior period information must be recast to classify noncontrolling interests in equity and provide other disclosures required by SFAS No. 160. The Company is currently evaluating the impact of the provisions of SFAS 160.

**2. Other Operating (Income) Expense, Net**

The components of "Other operating (income) expense, net" in the Consolidated Statements of Income are as follows:

| | Quarter Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 27, 2008 | September 29, 2007 | September 27, 2008 | September 29, 2007 |
| | (thousands) | | | |
| Severance, reorganization and other related activities (a) | $ — | $ — | $ 14,374 | $ — |
| Gain related to Voyageur Panel (b) | — | — | (3,100) | — |
| | **$ —** | **$ —** | **$ 11,274** | **$ —** |

(a) During the second quarter of 2008, the Company recorded a pre-tax charge of $10.2 million related to employee severance costs for the reorganization of the OfficeMax, Retail segment's store

**2. Other Operating (Income) Expense, Net (Continued)**

management. During the first quarter of 2008, the Company recorded pre-tax charges of $2.4 million related to the consolidation of the OfficeMax, Contract segment's manufacturing facility in New Zealand, and $1.8 million related to employee severance costs for reorganization of the OfficeMax, Retail segment's field and Impress print and document services management organization.

(b) During the second quarter of 2008, the Company recorded a $3.1 million pre-tax gain related primarily to the release of a warranty escrow established at the time of sale of Voyageur Panel in 2004, which was recorded in the Corporate segment.

**3. Other Income (Expense), Net (Non-Operating)**

The components of Other income (expense), net (non-operating) in the Consolidated Statements of Income (Loss) are as follows:

| | Quarter Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 27, 2008 | September 29, 2007 | September 27, 2008 | September 29, 2007 |
| | (thousands) | | | |
| Receivable securitization program costs | — | (302) | — | (5,562) |
| Distributions from affiliates (see Note 12) | — | — | 20,480 | (824) |
| Other | (25) | 123 | 199 | 528 |
| | **$ (25)** | **$ (179)** | **$ 20,679** | **$ (5,858)** |

**4. Timber Notes Receivable**

In October 2004, as part of the sale of the paper, Forest Products and Timberland Assets in 2004 (the "Sale"), OfficeMax sold its timberlands in exchange for $15 million in cash plus credit-enhanced timber installment notes in the amount of $1,635 million (the "Installment Notes"). The Installment Notes were issued by single- member limited liability companies formed by Boise Cascade, L.L.C. (the "Note Issuers"). The Installment Notes are 15-year non-amortizing obligations and were issued in two equal $817.5 million tranches bearing interest at 5.11% and 4.98%, respectively. In order to support the issuance of the Installment Notes, at the time of the Sale, Boise Cascade, L.L.C. transferred a total of $1,635 million in cash ($817.5 million each) to Lehman Brothers Holding Inc. ("Lehman") and Wachovia Corporation ("Wachovia"). Lehman and Wachovia issued collateral notes (the "Collateral Notes") to the Note Issuers. The Collateral Notes were substantially similar to the Installment Notes, except that the Collateral Notes pay interest quarterly and the Installment Notes pay interest semi-annually. The only assets of the Note Issuers are the Collateral Notes. There is a spread between the interest rates on the Collateral Notes and the Installment Notes to cover the operating expenses of the Note Issuers and the cost of the guarantees discussed below. Concurrently with the issuance of the Installment and Collateral Notes, Lehman and Wachovia guaranteed the respective Installment Notes and the Note Issuers pledged the Collateral Notes as security for the performance of the Installment Note obligations. The note structure allowed OfficeMax to defer recognition of the capital gain and payment of the related taxes on the Sale until 2019, the scheduled maturity date of the Installment Notes.

In December 2004, OfficeMax completed a securitization transaction in which its interests in the Installment Notes and related guarantees were transferred to wholly-owned bankruptcy remote

**4. Timber Notes Receivable (Continued)**

subsidiaries, OMX Timber Finance Investments I, L.L.C. ("OMX Timber I") and OMX Timber Finance Investments II, L.L.C. ("OMX Timber II") (collectively the "OMXSPEs") that were originally intended to be qualifying special purpose entities. The OMXSPEs subsequently failed to qualify and are currently variable interest entities. The OMXSPEs pledged the Installment Notes and related guarantees and issued securitization notes ("Securitization Notes") in the amount of $1,470 million ($735 million through the structure supported by the Lehman guaranty and $735 million through the structure supported by the Wachovia guaranty). Recourse on the Securitization Notes is limited to the applicable pledged Installment Notes and underlying Lehman and Wachovia guarantees. The Securitization Notes are 15-year non-amortizing, and were issued in two equal $735 million tranches paying interest of 5.54% and 5.42%, respectively.

As a result of these transactions, OfficeMax received $1,470 million ($735 million from investors in the Securitization Notes guaranteed by Lehman) in cash from the OMXSPEs, and over 15 years the OMXSPEs were expected to earn approximately $82.5 million per year in interest income on the Installment Notes receivable ($41.25 million from interest on the Lehman guaranteed Installment Note) and expected to incur annual interest expense of approximately $80.5 million on the Securitization Notes ($40.25 million from interest on the Securitization Notes guaranteed by Lehman). The pledged Installment Notes and Securitization Notes were scheduled to mature in 2020 and 2019, respectively. The Securitization Notes have an initial term that is approximately three months shorter than the Installment Notes. The Company expected to refinance its ownership of the Installment Notes in 2019 with a short-term secured borrowing to bridge the period from initial maturity of the Securitization Notes to the maturity of the Installment Notes.

The Note Issuers are variable-interest entities (the "VIEs") under Financial Accounting Standards Board ("FASB") Interpretation 46R, "Consolidation of Variable Interest Entities." The OMXSPEs are considered to be the primary beneficiary of the Note Issuers, and therefore, the VIEs are required to be consolidated with the OMXSPEs, which are also the issuers of the Securitization Notes. The accounts of the OMXSPEs have been consolidated into those of their ultimate parent, OfficeMax. The effect of the Company's consolidation of the OMXSPEs is that the securitization transaction is treated as a financing, and both the Installment Notes receivable and the Securitization Notes payable are reflected in OfficeMax's consolidated balance sheets.

On September 15, 2008, Lehman, guarantor of half of the Installment Notes and the Securitization Notes, filed a petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under chapter 11 of the United States Bankruptcy Code. On September 17, 2008, attorneys for OMX Timber II delivered notices to the trustee under the indenture applicable to the Securitization Notes, to the issuer of the Installment Notes and to Lehman, which stated that as a result of Lehman's bankruptcy filing, an event of default had occurred under the $817.5 million Installment Note guaranteed by Lehman (the "Lehman Guaranteed Installment Note"). These notices stated that OMX Timber II was assessing all rights and remedies available to it, was not waiving or agreeing to forbear in the exercise of any of its rights, and reserved the right to exercise any rights available to it in the future. OMX Timber II does not believe the events described in its notices constituted an event of default under the indenture.

The Company concluded in late October that due to the uncertainty of collection of the Lehman Guaranteed Installment Note as a result of the Lehman bankruptcy, the carrying value of the Lehman Guaranteed Installment Note was impaired, and recorded a non-cash impairment charge of $735.8 million for the third quarter of 2008. The Company is required for accounting purposes to assess

**4. Timber Notes Receivable (Continued)**

the carrying value of assets whenever circumstances indicate that a decline in value may have occurred. However, under current generally accepted accounting principles, the Company is required to continue to recognize the liability related to the Securitization Notes guaranteed by Lehman (the "Lehman Guaranteed Securitization Notes") until such time as the liability has been "extinguished", under the guidance in paragraph 16 of SFAS No. 140, which will be when the Lehman Guaranteed Installment Note and the guaranty are transferred to and accepted by the note holders. The Company expects that this will occur no later than the date when the assets of Lehman are distributed and the bankruptcy is finalized. Accordingly, the current period non-cash charge is expected to be followed by a later period non-cash gain at the time the liability is legally extinguished.

On October 29, 2008, Lehman failed to pay the $20.6 million interest payment due to the Note Issuer. The Note Issuer did not to make the $20.6 million interest payment due to OMX Timber II, and, in turn, OMX Timber II did not make its $20 million interest payment due to the holders of the Lehman Guaranteed Securitization Notes. The Company also impaired $18.2 million of accrued interest receivable associated with the Lehman Installment Note in the third quarter of 2008 as a result of this nonpayment. The interest receivable impairment, which represented approximately five months of interest, was recorded to interest income. The Company recorded the ongoing interest expense on the Lehman Guaranteed Securitization Notes, as it is required to continue accruing interest expense on such notes until the default date, October 29, 2008.

At the time of the Sale, the company generated a tax gain and recognized the related deferred tax liability. The timber note structure allowed the Company to defer the resulting tax liability of $543 million until 2019, the maturity date for the Installment Notes. Due to the impairment, approximately half of this tax gain will be accelerated and the related taxes will become due and payable no later than the first quarter of 2009. The Company has available alternative minimum tax credits, a portion of which resulted from prior tax payments related to the Sale, which will be used to reduce the cash tax payment triggered by the Lehman default. As a result, the Company believes the cash tax exposure related to the portion of the tax gain triggered by the Lehman default will not exceed approximately $50 million.

Finally, per the timber note agreements, the OMX SPE was expected to receive approximately $41 million in interest annually under the Lehman Guaranteed Installment Note. This interest income was to fund approximately $40 million in interest payable annually to holders of the Lehman Guaranteed Securitization Notes, which would have resulted in net interest income to the Company of approximately $1 million. Continued nonpayment under the installment note guaranteed by Lehman or the related Lehman guaranty will result in a loss of this $1 million of annual net interest income.

The Company believes that any cash required as a result of the events described above would be funded adequately by its cash position and its Loan Agreement.

**5. Goodwill, Intangible Assets and Other Long-lived Assets**

*Impairment*

In the second quarter of 2008, the Company recorded an estimated non-cash impairment charge associated with goodwill, intangible assets and other long-lived assets of $935.3 million pre-tax, which is $909.3 million after-tax or $11.99 per share for the first nine months of 2008. This charge was measured and recognized on an estimated basis following the guidance in SFAS No. 142, "Goodwill and Other Intangible Assets," and SFAS No. 144 "Accounting for the Impairment or Disposal of Long-

**5. Goodwill, Intangible Assets and Other Long-lived Assets (Continued)**

Lived Assets," which require that the carrying value of long-lived assets be tested for impairment whenever circumstances indicate that impairment may exist. The Company reported that an adjustment to the estimated impairment charge will be required when the Company finalizes its analysis. The Company continues to complete its analysis, and is expecting to finalize it by the end of 2008. The estimates and assumptions made in calculating the impairment charge are inherently subject to significant uncertainties. As a result, any adjustment resulting from the completion of the analysis and finalization of the charge could be material, but will be non-cash. Although the Company is finalizing its estimated non-cash impairment charge recorded in the second quarter of 2008, its common stock has continued to trade below book value per share during the third quarter of 2008. Management will continue to monitor the relationship of the Company's market capitalization to its book value, which management attributes to both retail industry-wide and Company specific factors, and evaluate the carrying value of goodwill and other intangibles.

In the second quarter of 2008, management concluded that indicators of potential impairment were present and that an evaluation of the carrying values of goodwill, intangibles and other long-lived assets was therefore required. Management reached the conclusion that an impairment test was required to be performed during the second quarter based on its assessment of the conditions that contributed to the Company's sustained low stock price and reduced market capitalization relative to the book value of its equity, including generally weak economic conditions, macroeconomic factors impacting industry business conditions, recent and forecasted segment operating performance, the increased competitive environment, and continued tightening of the credit markets, along with other factors. These conditions have resulted in lower levels of consumer and business spending, intense competition and industry consolidation. Weighing all of these factors, management determined that indicators of potential impairment had occurred and an interim test for impairment was required as of the end of the second quarter of 2008.

Under SFAS No. 142, the measurement of impairment of goodwill consists of two steps. In the first step, the Company compares the fair value of each reporting unit to its carrying value. At the end of the second quarter, management completed a high level valuation of the fair value of our reporting units which incorporated existing market-based considerations as well as a discounted cash flow methodology based on current results and projections. Based on this evaluation, it was determined that the fair value of the Company was less than the carrying value. Following this assessment, SFAS No. 142 requires the Company to perform a second step in order to determine the implied fair value of each reporting unit's goodwill, and to compare it to the carrying value of the reporting unit's goodwill. The activities in the second step include hypothetically valuing all of the tangible and intangible assets of the impaired reporting unit as if the reporting unit had been acquired in a business combination, which includes valuing all of the Company's intangibles, even if they are not currently recorded within the carrying value. Management has not completed the second step of the goodwill impairment test. However, a preliminary review of the significant intangible assets (trade name and customer contract values) was completed and considered in measuring the estimated impairment charge recorded during the second quarter of 2008.

In addition, as required under SFAS No. 144, an interim impairment test of the Company's long-lived assets was also performed. Under SFAS 144, an impairment loss is recognized if the estimated future undiscounted cash flows derived from the asset are less than its carrying amount. The impairment loss is measured as the excess of the carrying value over the fair value of the asset, with fair value determined based on estimated future discounted cash flows.

**5. Goodwill, Intangible Assets and Other Long-lived Assets (Continued)**

Following these reviews, the Company recorded, for the second quarter of 2008, an estimate of the impairment charge. The components of the estimated non-cash impairment charge consisted of $850 million of goodwill, $80 million of trade names and $5.3 million of fixed assets, comprised primarily of impairments of leasehold improvements at certain underperforming retail stores. The charge recorded was in the Retail segment ($471 million) and the Contract segment ($464 million). The impairment charge included a portion of goodwill that was not deductible for tax purposes, resulting in a tax benefit of $26 million or approximately three percent of the pre-tax charge amount.

*Goodwill*

Information regarding goodwill by reporting unit and changes in balances since year end is presented below:

| | OfficeMax, Contract | OfficeMax, Retail | Total |
|---|---|---|---|
| | | (thousands) | |
| Balance at December 29, 2007(1) | $ 830,804 | $ 386,000 | $1,216,804 |
| Impairment charge | (464,000) | (386,000) | (850,000) |
| Effect of foreign currency translation | (21,112) | — | (21,112) |
| Balance at September 27, 2008 | $ 345,692 | $ — | $ 345,692 |

(1) Through December 29, 2007, the Company disclosed goodwill by segment rather than by reporting unit. The balances as of December 29, 2007 in the table above have been revised to report goodwill by reporting unit. As part of the acquisition of OfficeMax in 2003, the Company recorded the entire purchase price (except for the portion related to a small direct business and its associated goodwill which was immediately transferred to the Contract segment) within the Retail segment. However, at the time of the acquisition, $274 million of the goodwill was assigned to the Contract reporting unit relating to the expected synergies in this reporting unit from that acquisition. The Company included this amount in the carrying value of the Contract reporting unit in all subsequent annual impairment reviews. The balances as of December 29, 2007 in the table above have been revised to report goodwill by reporting unit, and to reflect this amount within the Contract reporting unit.

*Acquired Intangible Assets*

Intangible assets represent the values assigned to trade names, customer lists and relationships, noncompete agreements and exclusive distribution rights of businesses acquired. The trade name assets have an indefinite life and are not amortized. The carrying values of trade names were reviewed in connection with the Company's interim impairment review, and approximately $80 million was written off as part of the impairment charge, as described above, recorded in the second quarter of 2008. No other impairments of intangible assets were recorded in this preliminary review. All other intangible assets are amortized on a straight-line basis over their expected useful lives. Customer lists and relationships are amortized over three to 20 years, noncompete agreements over their terms, which are

**5. Goodwill, Intangible Assets and Other Long-lived Assets (Continued)**

generally three to five years, and exclusive distribution rights over ten years. Intangible assets consisted of the following:

| | September 27, 2008 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | | (thousands) | |
| Trade names | $ 93,150 | $ — | $ 93,150 |
| Customer lists and relationships | 39,391 | (23,568) | 15,823 |
| Noncompete agreements | 12,872 | (12,451) | 421 |
| Exclusive distribution rights | 6,188 | (2,698) | 3,490 |
| | **$151,601** | **$ (38,717)** | **$112,884** |

| | December 29, 2007 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | | (thousands) | |
| Trade names | $173,150 | $ — | $173,150 |
| Customer lists and relationships | 43,381 | (23,072) | 20,309 |
| Noncompete agreements | 12,884 | (10,842) | 2,042 |
| Exclusive distribution rights | 6,977 | (2,758) | 4,219 |
| | **$236,392** | **$ (36,672)** | **$199,720** |

Intangible asset amortization expense totaled $1.4 million and $4.3 million for the quarter and nine months ended September 27, 2008, respectively. Intangible asset amortization expense totaled $2.0 million and $5.2 million for the quarter and nine months ended September 29, 2007, respectively.

**6. Integration Activities and Facility Closures**

The Company conducts regular reviews of its real estate portfolio to identify underperforming facilities, and closes those facilities that are no longer strategically or economically viable. The Company records a liability for the cost associated with a facility closure at its fair value in the period in which the liability is incurred, which is either the date the lease termination is communicated to the lessor or the location's cease-use date. Upon closure, unrecoverable costs are included in the integration and facility closure reserves on the Consolidated Balance Sheets and include provisions for the present value of future lease obligations, less contractual or estimated sublease income. Accretion expense is recognized over the life of the lease payments.

**6. Integration Activities and Facility Closures (Continued)**

Integration and facility closure reserve account activity during the first nine months of 2008 and 2007 was as follows:

| | Lease/Contract Terminations | Severance/ Retention | Other | Total |
|---|---|---|---|---|
| | | (thousands) | | |
| Balance at December 29, 2007 | $ 73,231 | $ 2,414 | $ 1,417 | $ 77,062 |
| Charges to income | 3,084 | 79 | — | 3,163 |
| Changes to estimated costs included in income | (1,982) | (1,414) | — | (3,396) |
| Cash payments | (19,740) | (900) | (919) | (21,559) |
| Accretion | 2,058 | — | — | 2,058 |
| Balance at September 27, 2008 | $ 56,651 | $ 179 | $ 498 | $ 57,328 |

| | Lease/Contract Terminations | Severance/ Retention | Other | Total |
|---|---|---|---|---|
| | | (thousands) | | |
| Balance at December 30, 2006 | $ 107,824 | $ 10,838 | $ 3,142 | $121,804 |
| Cash payments | (32,455) | (7,462) | (1,656) | (41,573) |
| Accretion | 2,825 | — | — | 2,825 |
| Balance at September 29, 2007 | $ 78,194 | $ 3,376 | $ 1,486 | $ 83,056 |

At September 27, 2008, approximately $16.8 million of the reserve for integration and facility closures was included in accrued expenses and other current liabilities and $40.5 million was included in other long-term obligations in the Consolidated Balance Sheets. At September 27, 2008, the integration and facility closure reserve included $56.7 million for estimated future lease obligations, which represents the estimated net present value of the lease obligations and is net of anticipated sublease income of $57.8 million.

## 7. Net Income (Loss) Per Common Share

The computation of basic and diluted income (loss) per common share for the third quarter and first nine months of 2008 and 2007 is as follows:

| | Quarter Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 27, 2008 | September 29, 2007 | September 27, 2008 | September 29, 2007 |
| | (thousands, except per-share amounts) | | | |
| Net income (loss) | $ (431,883) | $ 49,929 | $(1,262,759) | $ 135,904 |
| Preferred dividends | (812) | (931) | (2,839) | (2,947) |
| Income (loss) available to common shareholders | $ (432,695) | $ 48,998 | $(1,265,598) | $ 132,957 |
| Average shares—basic | 75,931 | 75,376 | 75,831 | 75,237 |
| Restricted stock, stock options and other | — | 1,182 | — | 1,061 |
| Average shares—diluted(a)(b) | 75,931 | 76,558 | 75,831 | 76,298 |
| Income (loss) per common share: | | | | |
| Basic | $ (5.70) | $ 0.65 | $ (16.69) | $ 1.77 |
| Diluted | $ (5.70) | $ 0.64 | $ (16.69) | $ 1.74 |

(a) The assumed conversion of outstanding preferred stock was anti-dilutive in all periods presented, and therefore no adjustment was required to determine diluted income (loss) per common share.

(b) Options to purchase 1.5 and 0.4 million shares of common stock were outstanding during 2008 and 2007, respectively, but were not included in the computation of diluted income (loss) per common share as the impact was anti-dilutive.

## 8. Income Taxes

The Company adopted FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" effective at the beginning of fiscal year 2007. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, "Accounting for Income Taxes." The Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of September 27, 2008, the Company had $18.7 million of total gross unrecognized tax benefits. The reconciliation of the beginning and ending gross unrecognized tax benefits is as follows:

| | Amount |
|---|---|
| | (thousands) |
| Balance at December 29, 2007 | $ 33,128 |
| Increase related to prior year tax positions | 1,546 |
| Decrease related to prior year tax positions | (4,123) |
| Increase related to current year tax positions | 1,580 |
| Settlements | (13,411) |
| Balance at September 27, 2008 | $ 18,720 |

**8. Income Taxes (Continued)**

Of the total gross unrecognized tax benefits at September 27, 2008, approximately $16.1 million (net of the federal benefit on state issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. The remaining balance of approximately $2.6 million, if recognized, would be recorded as an adjustment to goodwill and would not affect the effective tax rate. It is possible that the Company's liability for uncertain tax positions will be adjusted by the end of 2008. Any adjustments would result from the effective settlement of tax positions with various tax authorities. The effective tax rate for the third quarter and first nine months of 2008 benefited from the recognition of $8.7 million in previously unrecognized tax benefits due to the settlement of a federal income tax audit through the 2005 tax year and decreases related to prior year tax positions.

As a result of the Lehman bankruptcy, in the third quarter, the Company recorded $293.3 million in long-term deferred tax assets related to the impairment of the Lehman Guaranteed Installment Note. In 2004, at the time of the Sale, the Company generated a tax gain and the resulting tax liability of $543 million was deferred until 2019, the maturity date for the installment notes. The Company now expects approximately half of this tax gain will be accelerated and the related taxes will become due and payable no later than the first quarter of 2009. The Company has available alternative minimum tax credits, a portion of which resulted from prior tax payments related to the Sale, which will be used to reduce the ultimate cash tax payment. As a result, the Company believes the cash tax exposure related to the portion of the tax gain triggered by the Lehman default will not exceed approximately $50 million. The deferred tax liability associated with this half of the gain was reclassed to current tax payable, offset by the reclass of the credits that were previously recorded as deferred tax assets.

The Company or its subsidiaries file income tax returns in the U.S. Federal jurisdiction, and multiple state and foreign jurisdictions. Years prior to 2006 are no longer subject to U.S. Federal income tax examination. The Company is no longer subject to state income tax examinations by tax authorities in its major state jurisdictions for years before 2002.

The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of income tax expense. As of September 27, 2008, the Company had $2.1 million of accrued interest and penalties associated with uncertain tax positions. Income tax expense for the first nine months of 2008 includes a benefit of $1.3 million related to interest and penalties, reflecting interest accrued less the effect of adjustments on settlement.

For the nine months ended September 27, 2008 and September 29, 2007, the Company paid income taxes, net of refunds received, of $59.4 million and $68.6 million, respectively.

**9. Comprehensive Income (Loss)**

Comprehensive income includes the following:

| | Quarter Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 27, 2008 | September 29, 2007 | September 27, 2008 | September 29, 2007 |
| | (thousands) | | | |
| Net income (loss) | $ (431,883) | $ 49,929 | $ (1,262,759) | $ 135,904 |
| Other comprehensive income: | | | | |
| Foreign currency translation adjustments | (53,787) | 11,304 | (47,014) | 52,414 |
| Amortization of unrecognized retirement and benefit costs, net of tax | 1,027 | 2,550 | 3,488 | 7,673 |
| Comprehensive income (loss) | **$ (484,643)** | **$ 63,783** | **$ (1,306,285)** | **$ 195,991** |

**10. Discontinued Operations**

In December 2004, the Company's board of directors authorized management to pursue the divestiture of a facility near Elma, Washington that manufactured integrated wood-polymer building materials. The board of directors and management concluded that the operations of the facility were no longer consistent with the Company's strategic direction. As a result of that decision, the Company recorded the facility's assets as held for sale on its Consolidated Balance Sheets and reported the results of its operations as discontinued operations.

During 2005, the Company experienced unexpected difficulties in achieving anticipated levels of production at the facility. These issues delayed the process of identifying and qualifying a buyer for the business. While management made substantial progress in addressing the manufacturing issues that caused production to fall below plan, during the fourth quarter of 2005, the Company concluded that it was unable to attract a buyer in the near term and elected to cease operations at the facility during the first quarter of 2006. As of September 27, 2008, the Company had not identified a buyer for the facility.

The liabilities of the facility are included in accrued expenses and other current liabilities in the Consolidated Balance Sheets ($14.3 million at September 27, 2008 and $15.4 million at December 29, 2007, respectively). There were no assets related to this facility included in the Consolidated Balance Sheets at September 27, 2008 or December 29, 2007.

See Note 2, Discontinued Operations, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 29, 2007 for additional information related to the discontinued operations.

**11. Sales of Accounts Receivable**

Prior to July 2007, the Company sold, on a revolving basis, an undivided interest in a defined pool of receivables while retaining a subordinated interest in a portion of the receivables. The receivables were sold without legal recourse to third party conduits through a wholly owned bankruptcy-remote special purpose entity that was consolidated for financial reporting purposes. The Company continued servicing the sold receivables and charged the third party conduits a monthly servicing fee at market rates. The program qualified for sale treatment under SFAS No. 140, "Accounting for Transfers and

**11. Sales of Accounts Receivable (Continued)**

Servicing of Financial Assets and Extinguishment of Liabilities." Expenses associated with the securitization program totaled $0.3 million for the third quarter of 2007 and $5.6 million for the first nine months of 2007. These expenses related primarily to the loss on sale of receivables and discount on retained interests, facility fees and professional fees associated with the program, and were included in the Consolidated Statements of Income (Loss).

On July 12, 2007, the Company entered into a new loan agreement that amended the Company's existing revolving credit facility and replaced the Company's accounts receivable securitization program. The transferred accounts receivable under the accounts receivable securitization program at that date were refinanced with borrowings under the new loan agreement and excess cash. The Company no longer sells any of its accounts receivable. For additional information on the new loan agreement, see Note 13, Debt.

**12. Investments in Affiliates**

In connection with the sale of the paper, forest products and timberland assets in 2004 (the "Sale"), the Company invested $175 million in the equity units of affiliates of the buyer, Boise Cascade, L.L.C. A portion (approximately $66 million) of the equity units received in exchange for the Company's investment carry no voting rights. This investment is accounted for under the cost method as Boise Cascade, L.L.C. does not maintain separate ownership accounts for its members, and the Company does not have the ability to significantly influence its operating and financial policies. This investment is included in investments in affiliates in the Consolidated Balance Sheets. The Company requested and reviewed financial information of Boise Cascade, L.L.C. and determined that there was no impairment of this investment as of September 27, 2008. The Company will continue to monitor and assess this investment for impairment indicators.

The Boise Cascade, L.L.C. non-voting equity units accrue dividends daily at the rate of 8% per annum on the liquidation value plus accumulated dividends. Dividends accumulate semiannually to the extent not paid in cash on the last day of June and December. The Company recognized dividend income on this investment of $1.5 million for the third quarter of 2008 and 2007. The Company recognized dividend income on this investment of $4.7 million and $4.5 million in the first nine months of 2008 and 2007, respectively. These amounts were recorded as a reduction of general and administrative expenses in the Consolidated Statements of Income (Loss).

The Company receives distributions from affiliates of Boise Cascade, L.L.C. for the income tax liability associated with allocated earnings of Boise Cascade, L.L.C. The portion of the tax distributions received related to non-voting equity units is recorded in the Consolidated Balance Sheets as a reduction in dividends receivable. The portion associated with voting equity units is recorded as income in other income (expense), net (non-operating) in the Consolidated Statements of Income. During the first nine months of 2008 and 2007, the Company received distributions of $23.0 million and $2.8 million, respectively. The distribution received in 2008 included an amount related to the income tax liability associated with the allocated gain on the sale by Boise Cascade, L.L.C. of a majority interest in its paper and packaging and newsprint businesses during the first quarter of 2008.

**13. Debt**

*Credit Agreements*

On July 12, 2007, the Company entered into an Amended and Restated Loan and Security Agreement (the "Loan Agreement") with a group of banks. The Loan Agreement amended the Company's existing revolving credit facility and replaced the Company's accounts receivable securitization program. The Loan Agreement permits the Company to borrow up to a maximum of $700 million subject to a borrowing base calculation that limits availability to a percentage of eligible accounts receivable plus a percentage of the value of eligible inventory less certain reserves. The revolving credit facility may be increased (up to a maximum of $800 million) at the Company's request or reduced from time to time, in each case according to terms detailed in the Loan Agreement. There were no borrowings outstanding under the Company's revolving credit facilities as of September 27, 2008 or December 29, 2007. There were no borrowings outstanding under this facility during the first nine months of 2008 or 2007. Letters of credit, which may be issued under the revolving credit facility up to a maximum of $250 million, reduce available borrowing capacity under the revolving credit facility. Letters of credit issued under the revolving credit facility totaled $67.3 million as of September 27, 2008 and $85.5 million as of December 29, 2007. As of September 27, 2008, the maximum aggregate borrowing amount available under the revolving credit facility was $669.4 million and excess availability under the revolving credit facility totaled $602.0 million. The Loan Agreement allows the payment of dividends subject to availability restrictions and so long as no default has occurred. At September 27, 2008, the Company was in compliance with all covenants under the Loan Agreement. The Loan Agreement expires on July 12, 2012.

Borrowings under the revolving credit facility bear interest at rates based on either the prime rate or the London Interbank Offered Rate ("LIBOR"). Margins are applied to the applicable borrowing rates and letter of credit fees under the revolving credit facility depending on the level of average excess availability. Fees on letters of credit issued under the revolving credit facility were charged at a weighted average rate of 0.875% during the third quarter of 2008. The Company is also charged an unused line fee of 0.25% on the amount by which the maximum available credit exceeds the average daily outstanding borrowings and letters of credit.

As of September 27, 2008, Grupo OfficeMax, our 51% owned joint venture in Mexico, had short term borrowings of $9.8 million consisting of one promissory note payable; the note matures in the fourth quarter of 2008. During the third quarter of 2008, Grupo OfficeMax entered into a long term installment loan agreement for $14.7 million payable in 60 monthly installments beginning in the second quarter of 2009. Grupo OfficeMax also has a simple revolving credit facility permitting borrowing up to $10.3 million, based upon the spot rate at the end of the third quarter of 2008. There were no borrowings outstanding under this revolving credit facility at the end of the third quarter of 2008. The average amount outstanding under this revolving credit facility during the third quarter of 2008 was $8.2 million. The revolving credit facility expires on April 27, 2009. As of December 29, 2007, Grupo OfficeMax had short term borrowings of $14.2 million consisting of three loans with balances of $4.6 million, $4.6 million and $5.0 million, respectively. Two of these loans were promissory notes that were refinanced in the second quarter of 2008. The third loan was a simple revolving loan. The financing for Grupo OfficeMax is unsecured with no recourse against the Company.

*Note Agreements*

In October 2003, the Company issued 6.50% senior notes due in 2010 and 7.00% senior notes due in 2013. At the time of issuance, the senior note indentures contained a number of restrictive

**13. Debt (Continued)**

covenants, substantially all of which have since been eliminated through the execution of supplemental indentures as described below. On November 5, 2004, the Company repurchased substantially all of the outstanding 6.50% senior notes and received the requisite consents to adopt amendments to the indenture pursuant to a tender offer for these securities. As a result, the Company and the trustee executed a supplemental indenture that eliminated substantially all of the restrictive covenants, certain events of default and related provisions, and replaced them with the covenants contained in the Company's other public debt. Those covenants include a limitation on mergers and similar transactions, a restriction on secured transactions involving Principal Properties, as defined, and a restriction on sale and leaseback transactions involving Principal Properties.

In December 2004, both Moody's Investors Service, Inc. and Standard & Poor's Rating Services upgraded the credit rating on the Company's 7.00% senior notes to investment grade as a result of actions the Company took to collateralize the notes by granting the note holders a security interest in certain investments maturing in 2008 (the "Pledged Instruments"). These Pledged Instruments are reflected as restricted investments in the Consolidated Balance Sheets. As a result of these ratings upgrades, the original 7.00% senior note covenants have been replaced with the covenants found in the Company's other public debt. The remaining Pledged Instruments continue to be subject to the security interest, and are reflected as restricted investments in the Consolidated Balance Sheets. In the fourth quarter, the Company intends to call and redeem the 7% senior notes, pursuant to their terms, using proceeds from the redemption of the Pledged Instruments and has provided notice of such to the note holders. Accordingly, the 7% senior notes and the related restricted investments have been classified as current in the Consolidated Balance Sheets. Also in the fourth quarter of 2008, associated with the redemption of the 7% senior notes, the Company will record a non-cash charge of $0.7 million to fully amortize related deferred financing charges and a cash charge of $0.7 million for the call premium on the notes.

*Other*

The Company has various unsecured debt outstanding, including approximately $189.9 million of revenue bonds due in varying amounts through 2029. Approximately $69.2 million of these obligations may be called in the near future due to a potential adverse determination regarding the exempt status of interest on the bonds from the Internal Revenue Service ("IRS"). The Company has appealed the proposed IRS determination. The $69.2 million of debt is classified as long-term debt in the Consolidated Balance Sheets as the Company intends to utilize its long-term revolving credit facility to fund any required payment.

Cash payments for interest, net of interest capitalized, were $4.2 million and $18.9 million for the quarter and nine months ended September 27, 2008, respectively, and $5.7 million and $26.4 million for the quarter and nine months ended September 29, 2007, respectively.

**14. Retirement and Benefit Plans**

The following represents the components of net periodic pension and other postretirement benefit costs (income):

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | Quarter Ended | | Quarter Ended | |
| | September 27, 2008 | September 29, 2007 | September 27, 2008 | September 29, 2007 |
| | (thousands) | | | |
| Service cost | $ 533 | $ 419 | $ 68 | $ 72 |
| Interest cost | 19,519 | 19,270 | 314 | 314 |
| Expected return on plan assets | (22,520) | (22,254) | — | — |
| Recognized actuarial loss | 2,949 | 5,055 | 69 | 124 |
| Amortization of prior service costs and other | — | — | (991) | (1,050) |
| Net periodic benefit cost (income) | **$ 481** | **$ 2,490** | **$ (540)** | **$ (540)** |

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | Nine Months Ended | | Nine Months Ended | |
| | September 27, 2008 | September 29, 2007 | September 27, 2008 | September 29, 2007 |
| | (thousands) | | | |
| Service cost | $ 1,599 | $ 1,257 | $ 211 | $ 237 |
| Interest cost | 58,552 | 57,812 | 965 | 963 |
| Expected return on plan assets | (67,559) | (66,763) | — | — |
| Recognized actuarial loss | 8,847 | 15,165 | 212 | 369 |
| Amortization of prior service costs and other | — | — | (3,014) | (2,954) |
| Net periodic benefit cost (income) | **$ 1,439** | **$ 7,471** | **$ (1,626)** | **$ (1,385)** |

The minimum contribution requirement for 2008 is approximately $9.4 million, of which $6.8 million has been contributed as of September 27, 2008.

Recent market conditions have resulted in an unusually high degree of volatility and increased the risks associated with certain investments held by the Company's pension plans, which has impacted the value of those investments. There has been a negative return on plan assets through September 30, 2008 which could potentially impact the funded status of the plans. The ultimate impact on the funded status will be determined based upon market conditions in effect when the annual valuation for the plan year ended December 31, 2008 is performed and will be reflected in the Company's retirement and benefit plan disclosures at year-end.

**15. Segment Information**

The Company manages its business using three reportable segments: OfficeMax, Contract; OfficeMax, Retail; and Corporate and Other. Management reviews the performance of the Company based on these segments.

OfficeMax, Contract distributes a broad line of items for the office, including office supplies and paper, technology products and solutions and office furniture. OfficeMax, Contract sells directly to large corporate and government offices, as well as small and medium-sized offices in the United States, Canada, Australia and New Zealand. This segment markets and sells through field salespeople,

**15. Segment Information (Continued)**

outbound telesales, catalogs, the Internet and in some markets, including Canada, Hawaii, Australia and New Zealand, through office products stores.

OfficeMax, Retail is a retail distributor of office supplies and paper, print and document services, technology products and solutions and office furniture. OfficeMax, Retail has operations in the United States, Puerto Rico and the U.S. Virgin Islands. OfficeMax, Retail office supply stores feature OfficeMax ImPress, an in-store module devoted to print-for-pay and related services. The retail segment also operates office supply stores in Mexico through a 51% owned joint venture.

Substantially all products sold by OfficeMax, Contract and OfficeMax, Retail are purchased from independent third-party manufacturers or industry wholesalers, except office papers. Office papers are purchased primarily from the paper operations of Boise Inc., the former paper manufacturing business of Boise Cascade, L.L.C., under a 12-year paper supply contract. (see Note 17, Commitments and Guarantees, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 29, 2007 for additional information related to the paper supply contract).

Corporate and Other includes corporate support staff services and related assets and liabilities.

Management evaluates the segments based on operating profit before interest expense, income taxes, minority interest, extraordinary items and cumulative effect of accounting changes. The income and expense related to certain assets and liabilities that are reported in the Corporate and Other segment have been allocated to the Contract and Retail segments. Certain Corporate expenses are not allocated to the Contract and Retail segments.

**15. Segment Information (Continued)**

An analysis of our operations by segment is as follows:

| | Sales | | Income Before Taxes and Minority Interests(a) | |
|---|---|---|---|---|
| | Quarter Ended | | Quarter Ended | |
| | September 27, 2008 | September 29, 2007 | September 27, 2008 | September 29, 2007 |
| | (thousands) | | | |
| OfficeMax, Contract | $ 1,049,116 | $ 1,185,670 | $ 35,509 | $ 54,979 |
| OfficeMax, Retail | 1,047,221 | 1,129,549 | 29,137 | 45,279 |
| Corporate and Other | — | — | (746,183) | (10,025) |
| | **$ 2,096,337** | **$ 2,315,219** | (681,537) | 90,233 |
| Interest expense | | | (29,822) | (31,220) |
| Interest income and other | | | 3,293 | 21,635 |
| | | | **$ (708,066)** | **$ 80,648** |

| | Sales | | Income Before Taxes and Minority Interests(a) | |
|---|---|---|---|---|
| | Nine Months Ended | | Nine Months Ended | |
| | September 27, 2008 | September 29, 2007 | September 27, 2008 | September 29, 2007 |
| | (thousands) | | | |
| OfficeMax, Contract | $ 3,356,121 | $ 3,647,331 | $ (321,700) | $ 155,875 |
| OfficeMax, Retail | 3,027,778 | 3,236,559 | (422,111) | 134,572 |
| Corporate and Other | — | — | (761,673) | (34,174) |
| | **$ 6,383,899** | **$ 6,883,890** | (1,505,484) | 256,273 |
| Interest expense | | | (89,144) | (91,296) |
| Interest income and other | | | 67,579 | 60,770 |
| | | | **$ (1,527,049)** | **$ 225,747** |

(a) See Note 2, Other Operating (Income) Expense, Net; Note 3, Other Income (Expense), Net (Non-Operating); Note 4, Timber Notes Receivable; and Note 5, Goodwill, Intangible Assets and Long-Lived Assets for an explanation of certain unusual items occurring during the third quarter and first nine months of 2008 and 2007.

**16. Commitments and Guarantees**

In addition to commitments for leases and long-term debt, and purchase obligations for goods and services and capital expenditures entered into in the normal course of business, the Company has various other commitments, guarantees and obligations that are described in Note 17, Commitments and Guarantees, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 29, 2007. Except as discussed below, at September 27, 2008, there had not been a material change to the information regarding commitments, guarantees and contractual obligations disclosed in the Company's Annual Report on Form 10-K for the year ended December 29, 2007.

**16. Commitments and Guarantees (Continued)**

In accordance with the terms of a joint-venture agreement between the Company and the minority owner of the Company's subsidiary in Mexico (Grupo OfficeMax), the Company can be required to purchase the minority owner's 49% interest in the subsidiary if certain earnings targets are achieved. At September 27, 2008, Grupo OfficeMax had met these earnings targets. The earnings targets are calculated quarterly on a rolling four-quarter basis. Accordingly, the targets can be achieved in one quarter but not in the next. If the earnings targets are achieved and the minority owner elects to put its ownership interest to the Company, the purchase price would be equal to fair value, calculated based on the subsidiary's earnings before interest, taxes and depreciation and amortization for the last four quarters, and the current market multiples for similar companies. The fair value purchase price at September 27, 2008 is estimated to be between $30 million and $35 million.

**17. Legal Proceedings and Contingencies**

The Company is involved in litigation and administrative proceedings arising in the normal course of its business. In the opinion of management, its recovery, if any, or its liability, if any, under pending litigation or administrative proceedings would not materially affect the Company's financial position, results of operations or cashflows. For information concerning legal proceedings, see "Item 3. Legal Proceedings" and Note 18, Legal Proceedings and Contingencies, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 29, 2007 and "Part II, Item 1. Legal Proceedings" in the Company's Quarterly Reports on Form 10-Q for the quarters ended March 29, 2008 and June 28, 2008.

**18. Share Based Payments**

The Company sponsors several share-based compensation plans, which are described below. Compensation costs associated with these plans are accounted for in accordance with the provisions of SFAS No. 123R, "Share Based Payments." Compensation costs related to the Company's share-based plans were $1.1 million and $6.9 million for the quarters ended September 27, 2008 and September 29, 2007, respectively. As a result of changes in estimates, including estimates related to certain performance criteria, the Company recognized a benefit of $1.8 million related to share-based payments in the first nine months of 2008. Compensation costs related to the Company's share-based plans were $21.3 million for the nine months ended September 29, 2007. Compensation expense is generally recognized on a straight-line basis over the vesting period of grants. The total income tax benefit recognized in the Consolidated Statements of Income (Loss) for share-based compensation arrangements was $0.4 million and $2.7 million for the quarters ended September 27, 2008 and September 29, 2007, respectively. Due to the share-based compensation benefit recognized in the first nine months of 2008, the Company recognized income tax expense of $0.7 million in the Consolidated Statements of Income (Loss) for share-based compensation arrangements in the first nine months of 2008. The total income tax benefit recognized in the Consolidated Statements of Income (Loss) for share-based compensation arrangements was $8.3 million for the nine months ended September 29, 2007.

*2003 Director Stock Compensation Plan and OfficeMax Incentive and Performance Plan*

In February 2003, the Company's Board of Directors adopted the 2003 Director Stock Compensation Plan (the "2003 DSCP") and the 2003 OfficeMax Incentive and Performance Plan (the

**18. Share Based Payments (Continued)**

"2003 Plan"), formerly named the 2003 Boise Incentive and Performance Plan, which were approved by shareholders in April 2003.

A total of 57,187 shares of common stock are reserved for issuance under the 2003 DSCP. Prior to December 8, 2005, the 2003 DSCP permitted non-employee directors to elect to receive some or all of their annual retainer and meeting fees in the form of discounted options to purchase shares of the Company's common stock. Non-employee directors who elected to receive a portion of their compensation in the form of stock options did not receive cash for that portion of their compensation. The difference between the $2.50-per-share exercise price of the options and the market value of the common stock on the date of grant was equal to the cash compensation that participating directors elected to forego and was recognized as compensation expense in the Consolidated Statements of Income (Loss). On December 8, 2005, the Board of Directors amended the 2003 DSCP to require the exercise price of any options issued to be fair market value. On February 14, 2007, the Board of Directors amended the 2003 DSCP to eliminate the choice to receive stock options. All options granted under the 2003 DSCP expire three years after the holder ceases to be a director.

The 2003 Plan was effective January 1, 2003, and replaced the Key Executive Performance Plan for Executive Officers, Key Executive Performance Plan for Key Executives/Key Managers, 1984 Key Executive Stock Option Plan ("KESOP"), Key Executive Performance Unit Plan ("KEPUP") and Director Stock Option Plan ("DSOP"). No grants or awards have been made under the Key Executive Performance Plans, KESOP, KEPUP, or DSOP since 2003 and no future grants or awards will be made under these plans. A total of 10,172,069 shares of common stock are reserved for issuance under the 2003 Plan. The Company's executive officers, key employees and nonemployee directors are eligible to receive awards under the 2003 Plan at the discretion of the Executive Compensation Committee of the Board of Directors. Eight types of awards may be granted under the 2003 Plan, including stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares, annual incentive awards and stock bonus awards.

*Restricted Stock and Restricted Stock Units*

In the first nine months of 2008, the Company granted to employees and non-employee directors 1,257,084 restricted stock units ("RSUs"). The weighted-average grant-date fair value of the RSUs was $23.06. As of September 27, 2008, 1,156,813 of these RSUs remained outstanding which vest after defined service periods as follows: 35,784 in 2009, 269,696 in 2010 and 851,333 in 2011. Nearly half of the RSUs granted to employees in 2008 also require certain performance criteria to be met. During the third quarter, management concluded that it was probable that these performance criteria would likely not be met for the 2008 plan.

In 2007, the Company granted to employees and non-employee directors 786,282 RSUs. The weighted-average grant-date fair value of the RSUs was $50.09. As of September 27, 2008, 600,193 of these RSUs remained outstanding which vest after defined service periods as follows: 31,987 units in 2008, 284,103 in both 2009 and 2010. Nearly all of the RSUs granted to employees in 2007 also require certain performance criteria to be met. During the second quarter, management concluded that it was probable that these performance criteria would not be met for the 2007 plan.

In 2006, the Company granted to employees and non-employee directors 1,621,235 RSUs. The weighted-average grant-date fair value of the RSUs was $27.36. As of September 27, 2008, 513,953 of these RSUs remained outstanding, all of which vest after defined service periods in 2009. All of the

**18. Share Based Payments (Continued)**

RSUs granted to employees in 2006 also require achievement of certain performance criteria, which have already been met.

In 2005, the Company granted to employees and non-employee directors 728,123 RSUs. The weighted-average grant-date fair value of the RSUs was $33.15. As of September 27, 2008, 23,000 of these RSUs remained outstanding, which vest after defined service periods as follows: 17,000 units in 2008 and 3,000 units in both 2009 and 2010.

In 2004, the Company granted 14,765 shares of restricted stock to non-employee directors. The restricted stock granted to directors vests six months from their termination or retirement from board service and 5,755 of these restricted stock shares remain outstanding at September 27, 2008.

Restricted stock shares are restricted until they vest and cannot be sold by the recipient until the restriction has lapsed. Non-employee directors may not sell their restricted stock until six months after they terminate board service. RSUs are convertible into one common share after the restriction has lapsed. No entries are made in the financial statements on the grant date of restricted stock and RSU awards. The Company recognizes compensation expense related to these awards over the vesting periods based on the closing prices of the Company's common stock on the grant dates. If these awards contain performance criteria, management periodically reviews actual performance against the criteria and adjusts compensation expense accordingly. As a result of changes in estimates, including estimates related to certain performance criteria, the Company recognized an expense of $1.0 million for the third quarter while recognizing a pre-tax benefit of $2.0 million related to these share-based awards in the first nine months of 2008. For the quarter and nine months ended September 29, 2007, the Company recognized $6.8 million and $20.9 million, respectively, of pretax compensation expense and additional paid-in capital related to restricted stock and RSU awards.

Restricted shares and RSUs are not included as shares outstanding in the calculation of basic earnings per share, but are included in the number of shares used to calculate diluted earnings per share as long as all applicable performance criteria are met, and their effect is dilutive. When the restriction lapses on restricted stock, the par value of the stock is reclassified from additional paid-in-capital to common stock. When the restriction lapses on RSUs, the units are converted to unrestricted common shares and the par value of the stock is reclassified from additional paid-in-capital to common stock. Unrestricted shares are included in shares outstanding for purposes of calculating both basic and diluted earnings per share. Depending on the terms of the applicable grant agreement, restricted stock and RSUs may be eligible to receive all dividends declared on the Company's common shares during the vesting period; however, such dividends are not paid until the restrictions lapse.

*Stock Units*

The Company has a shareholder approved deferred compensation program for certain of its executive officers that allows them to defer a portion of their cash compensation. Previously, these officers could allocate their deferrals to a stock unit account. Each stock unit was equal in value to one share of the Company's common stock. The Company matched deferrals used to purchase stock units with a 25% Company allocation of stock units. The value of deferred stock unit accounts is paid in shares of the Company's common stock when an officer retires or terminates employment. There were 8,179 and 9,377 stock units allocated to the accounts of these executive officers at September 27, 2008 and December 29, 2007, respectively. As a result of an amendment to the plan, no additional deferrals can be allocated to the stock unit accounts.

**18. Share Based Payments (Continued)**

*Stock Options*

In addition to the 2003 DSCP and the 2003 Plan discussed above, the Company has the following shareholder-approved stock option plans: the Key Executive Stock Option Plan ("KESOP"), the Director Stock Option Plan ("DSOP") and the Director Stock Compensation Plan ("DSCP"). No further grants will be made under the KESOP, DSOP or DSCP.

The KESOP provided for the grant of options to purchase shares of common stock to key employees of the Company. The exercise price of awards under the KESOP was equal to the fair market value of the Company's common stock on the date the options were granted. Options granted under the KESOP expire, at the latest, ten years and one day following the grant date.

The DSOP, which was available only to nonemployee directors, provided for annual grants of options. The exercise price of awards under the DSOP was equal to the fair market value of the Company's common stock on the date the options were granted. The options granted under the DSOP expire upon the earlier of three years after the director ceases to be a director or ten years after the grant date.

The DSCP permitted nonemployee directors to elect to receive grants of options to purchase shares of the Company's common stock in lieu of cash compensation. The difference between the $2.50-per-share exercise price of DSCP options and the market value of the common stock subject to the options was intended to offset the cash compensation that participating directors elected not to receive. Options granted under the DSCP expire three years after the holder ceases to be a director.

Under the KESOP and DSOP, options may not, except under unusual circumstances, be exercised until one year following the grant date. Under the DSCP, options may be exercised six months after the grant date.

A summary of stock option activity for the quarters ended September 27, 2008 and September 29, 2007 is presented in the table below:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Shares | Weighted Avg. Exercise Price | Shares | Weighted Avg. Exercise Price |
| Balance at beginning of period | 1,596,295 | $ 31.84 | 1,753,188 | $ 31.81 |
| Options granted | — | — | 35,000 | 31.39 |
| Options exercised | — | — | (185,563) | 31.53 |
| Options forfeited and expired | (64,033) | 29.79 | (1,650) | 36.88 |
| Balance at end of period | 1,532,262 | $ 31.92 | 1,600,975 | $ 31.83 |
| Exercisable at end of period | 1,436,929 | | 1,397,843 | |

**18. Share Based Payments (Continued)**

The following table provides summarized information about stock options outstanding at September 27, 2008:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Options Outstanding | Weighted Average Contractual Life (Years) | Weighted Average Exercise Price | Options Exercisable | Weighted Average Exercise Price |
| $2.50 | 11,171 | — | $ 2.50 | 11,171 | $ 2.50 |
| $18.00–$28.00 | 569,664 | 1.9 | 27.65 | 569,664 | 27.65 |
| $28.01–$39.00 | 951,427 | 3.5 | 34.82 | 856,094 | 35.10 |

The remaining compensation expense to be recognized related to outstanding stock options, net of estimated forfeitures, is $0.3 million. At September 27, 2008, the aggregate intrinsic value was approximately $0.1 million for outstanding stock options and exercisable stock options. The aggregate intrinsic value represents the total pre-tax intrinsic value (i.e. the difference between the Company's closing stock price on the last trading day of the third quarter of 2008 and the exercise price, multiplied by the number of in-the-money options at the end of the quarter).

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

***Summary***

The following discussion contains statements about our future financial performance. These statements are only predictions. Our actual results may differ materially from these predictions. In evaluating these statements, you should review Part II, Item 1A, "Risk Factors" of this Form 10-Q, including "Cautionary and Forward-Looking Statements."

*Financial Performance*

Sales for the third quarter of 2008 decreased 9.5% to $2,096.3 million from $2,315.2 million in the third quarter of 2007. Year-to-date, sales decreased 7.3% to $6,383.9 million in 2008 from $6,883.9 million in 2007. Gross profit margin decreased by 0.3% of sales to 25.1% of sales for the third quarter of 2008 compared to 25.4% of sales for the third quarter of 2007. For the first nine months of 2008, gross profit margin declined by 0.4% of sales to 25.0% of sales compared to 25.4% of sales in the first nine months of 2007. Net loss for the third quarter of 2008 was $431.9 million, or $5.70 per diluted share compared to net income of $49.9 million, or $0.64 per diluted share in the same period last year. Net loss for the first nine months of 2008 was $1,262.8 million, or $16.69 per diluted share compared to net income of $135.9 million, or $1.74 per diluted share in the same period last year.

Our results for the nine months of 2008 and 2007 include several items which we do not consider to be indicative of our core operating activities, herein referred to as unusual items. These items include:

- During the third quarter of 2008, we recorded a pre-tax impairment charge of $735.8 million on the Lehman Guaranteed Installment Note. This impairment charge, recorded in the Corporate and Other segment, is included in the caption "Goodwill and other asset impairments" in the Consolidated Statements of Income. In addition, we also recorded the ongoing interest expense on the Lehman Guaranteed Securitization Notes, while impairing $18.2 million of accrued interest receivable related to the Lehman Guaranteed Installment Note. The interest receivable impairment was included in the caption "Interest income" in the Consolidated Statements of Income. These charges resulted in a reduction of net income of $460.7 million, or $6.06 per diluted share for the quarter. For information regarding this impairment charge see our discussion of timber notes under the heading "Timber Notes" in this section.

- During the second quarter of 2008, we recorded estimated pre-tax impairment charges of $935.3 million related to goodwill and other assets, a portion of which was reflected in each of our Contract and Retail segments. These non-cash charges resulted in a reduction in net income of $909.3 million, or $11.99 per diluted share for the first nine months of 2008 and were included in the caption "Goodwill and other asset impairments" in the Consolidated Statements of Income.

- During the second quarter of 2008, we recorded a $10.2 million pre-tax charge in our Retail segment related to employee severance costs for a reorganization of our Retail store management, and in our Corporate segment, we recorded a $3.1 million pre-tax gain primarily related to the release of a warranty escrow established at the time of sale of our legacy Voyageur Panel business in 2004. In the first quarter of 2008, we recorded pre-tax charges of $2.4 million related to the consolidation of the Contract segment's manufacturing facilities in New Zealand, and $1.8 million related to employee severance costs for reorganization of the Retail field and ImPress print and document services management organization. These charges were included in the caption "Other operating expense" in the Consolidated Statements of

Income. The cumulative effect of all of these operating items was a reduction in after-tax income of $7.0 million, or $0.09 per diluted share.

- During the first quarter of 2008, we recorded $20.5 million of pre-tax income related to a distribution received from affiliates of Boise Cascade, L.L.C. We receive distributions from Boise Cascade, L.L.C. for the income tax liability associated with allocated earnings of Boise Cascade, L.L.C. The distribution received was primarily related to the income tax liability associated with the allocated gain on the sale by Boise Cascade, L.L.C. of a majority interest in its paper and packaging and newsprint businesses during the first quarter of 2008. This income was included in other income (expense), net (non-operating) in the Consolidated Statements of Income, and resulted in an increase in after-tax income of $12.5 million, or $0.17 per diluted share.

- We recorded a $1.1 million loss, net of tax, from the sale of Contract operations in Mexico to Grupo OfficeMax, our 51% owned joint venture in the first quarter of 2007. This loss is reported in minority interest, net of income tax in the Consolidated Statements of Income and caused a reduction in after-tax income of $1.1 million, or $0.01 per diluted share. Grupo OfficeMax's results of operations are included in our consolidated results of operations.

*Outlook*

Given the expected weak economic outlook, we are cautious in our expectations about performance for the fourth quarter of 2008. We expect significant sales declines and a weaker 2008 holiday selling season than last year. In addition, we will be cycling significant expense reductions we began generating in the fourth quarter of 2007. As a result of these factors, and based on the current outlook, we expect increased deleveraging of costs and expenses in the fourth quarter of 2008 compared to the first nine months of the year.

***Results of Operations, Consolidated***
***($ in millions, except per share amounts)***

| | Quarter Ended | | | |
|---|---|---|---|---|
| | September 27, 2008 | | September 29, 2007 | |
| | Reported Results | Percent of Sales | Reported Results | Percent of Sales |
| Sales | $ 2,096.3 | | $2,315.2 | |
| Gross profit | 526.5 | 25.1% | 588.1 | 25.4% |
| Operating and selling expenses | 394.5 | 18.8% | 419.7 | 18.1% |
| General and administrative expenses | 77.7 | 3.7% | 78.1 | 3.4% |
| Goodwill and other asset impairments | 735.8 | 35.1% | — | — |
| Total operating expenses | 1,208.0 | 57.6% | 497.8 | 21.5% |
| Operating income (loss) | $ (681.5) | (32.5)% | $ 90.3 | 3.9% |

| | Nine Months Ended | | | |
|---|---|---|---|---|
| | September 27, 2008 | | September 29, 2007 | |
| | Reported Results | Percent of Sales | Reported Results | Percent of Sales |
| Sales | $ 6,383.9 | | $6,883.9 | |
| Gross profit | 1,597.9 | 25.0% | 1,747.1 | 25.4% |
| Operating and selling expenses | 1,191.7 | 18.7% | 1,233.1 | 17.9% |
| General and administrative expenses | 229.3 | 3.6% | 257.7 | 3.8% |
| Goodwill and other asset impairments | 1,671.1 | 26.1% | — | — |
| Other operating (income) expense, net | 11.3 | 0.2% | — | — |
| Total operating expenses | 3,103.4 | 48.6% | 1,490.8 | 21.7% |
| Operating income (loss) | $(1,505.5) | (23.6)% | 256.3 | 3.7% |

Sales for the third quarter of 2008 decreased 9.5% to $2,096.3 million from $2,315.2 million for the third quarter of 2007. The year-over-year sales decrease reflects an 11.3% decrease in comparable sales related primarily to a weaker global economic environment and to our more disciplined, analysis-driven approach to sales generation and retention. For the third quarter of 2008, sales benefited $5.8 million, or 0.3%, from the effect of foreign currency changes. Sales for the first nine months of 2008 decreased 7.3% to $6,383.9 million from $6,883.9 million for the first nine months of 2007. The year-over-year sales decrease reflects an 8.9% decrease in comparable sales related primarily to a weaker global economic environment. For the first nine months of 2008, sales benefited $87.7 million, or 1.4%, from the effect of foreign currency changes.

Gross profit margin decreased by 0.3% of sales to 25.1% of sales for the third quarter of 2008 compared to 25.4% of sales for the third quarter of 2007. For the first nine months of 2008, gross profit margin decreased by 0.4% of sales to 25.0% of sales compared to 25.4% of sales for the first nine months of 2007. The gross profit margins declined in both our Retail and Contract segments for the third quarter when compared to the previous year. Declines were primarily due to deleveraging of fixed costs, resulting from the lower sales and new stores, which were partially offset by improved merchandise (point-of-sales) margins and improved Contract account profitability. For the first nine months, Retail and Contract were again impacted by deleveraging of fixed costs, as well as higher shrinkage results, which were partially offset by a higher margin customer mix resulting from our more disciplined approach to contractual sales generation and retention and a sales-mix shift towards higher-margin office supplies category sales.

Operating and selling expenses increased by 0.7% of sales to 18.8% of sales in the third quarter of 2008 from 18.1% of sales a year earlier. The increases in operating and selling expenses as a percent of sales were primarily the result of deleveraging fixed costs due to lower sales and new stores, which were partially offset by reduced incentive compensation expense of about $6 million and targeted cost reductions, including reduced selling expenses in the Contract segment and reduced store payroll in the Retail segment resulting from the management reorganizations completed in the first and second quarters.

For the first nine months of 2008, operating and selling expenses increased by 0.8% of sales to 18.7% of sales from 17.9% of sales a year earlier. The increases in operating and selling expenses as a percent of sales were primarily the result of deleveraging fixed costs due to lower sales and new stores, which were partially offset by reduced incentive compensation expense and targeted cost reductions, including reduced selling expenses in the Contract segment and reduced store payroll in the Retail segment resulting from the management reorganizations completed in the first and second quarters.

General and administrative expenses of $77.7 million for the third quarter of 2008 were basically flat compared to $78.1 million for the third quarter of 2007. As a percentage of sales, general and administrative expense increased to 3.7% of sales for the third quarter of 2008 from 3.4% of sales for the third quarter of 2007 due to the deleveraging effect caused by the decreased sales.

For the first nine months of 2008, general and administrative expenses were 3.6% of sales compared to 3.8% of sales for the first nine months of 2007. In total dollars, this represented a decrease to $229.3 million in the first nine months of 2008 from $257.7 million in the first nine months of 2007. This dollar decrease was due to reduced incentive compensation expense.

Both operating and selling and general and administrative expenses benefited from reduced incentive compensation expense for the first nine months of 2008 when compared to the same period in 2007. The total favorable change in compensation expense between the two years was $37.8 million, $7.5 million in operating and selling expense, and $30.3 million in general and administrative expense. The first nine months of 2008 included a $10.2 million reversal of incentive compensation liabilities accrued in prior years.

During the third quarter of 2008, we recorded a pre-tax impairment charge of $735.8 million on the Lehman Guaranteed Installment Note. This impairment charge, recorded in the Corporate and Other segment, is included in the caption "Goodwill and other asset impairments" in the Consolidated Statements of Income. This non-cash charge resulted in a reduction of net income of $ 449.5 million, or $5.91 per diluted share for the quarter ($5.92 per diluted share for the nine-month period) and was recorded in our Corporate and Other segment. For information regarding this impairment charge see our discussion of timber notes under the heading "Timber Notes" in this section.

During the second quarter of 2008, we recorded estimated pre-tax impairment charges of $935.3 million related to goodwill and other assets in both our Contract and Retail segments. These non-cash charges consisted of $850 million of estimated goodwill impairment in both the Contract ($464 million) and Retail ($386 million) segments; $80 million of impairment of trade names in our Retail segment and $5.3 million of impairment related to fixed assets in our Retail segment. For information regarding this impairment charge see Goodwill and Other Asset Impairments in this section.

Interest expense was $29.8 million in the third quarter of 2008 compared to $31.2 million for the prior year. Year-to-date, interest expense was $89.1 million in 2008 and $91.3 million in the prior year. The year-over-year decrease in interest expense was a result of lower average borrowings. Interest expense includes interest related to the Securitization Notes of approximately $20.1 million for the third quarter of 2008 and 2007 and approximately $60.4 million for the first nine months of 2008 and 2007. The interest expense associated with the Securitization Notes is partially offset by interest income earned on the Installment Notes of approximately $2.4 million and $20.6 million for the third quarter of 2008 and 2007, respectively, and $43.7 million and $61.9 million for the first nine months of 2008 and 2007, respectively. The year-over-year decrease in interest earned is related to the Lehman bankruptcy. On October 29, 2008, Lehman defaulted on its interest payment. As a result, we impaired $18.2 million of accrued interest receivable associated with the Lehman Guaranteed Installment Note in the third quarter of 2008. The interest receivable impairment, which represented approximately five months of interest, was recorded to interest income and reduced net income by $11.1 million or $0.15 per diluted share for the quarter and nine-month period. We recorded the ongoing interest expense on the Lehman Guaranteed Securitization Notes, as we are required to continue accruing interest expense on such notes until the default date, October 29, 2008. Per the timber note agreements, the OMXSPEs were expected to receive approximately $41 million in interest annually under the Lehman Guaranteed Installment Note. This interest income was to fund approximately $40 million in interest payable annually to holders of the Lehman Guaranteed Securitization Notes, which would have resulted in net interest income to us of approximately $1 million. Continued nonpayment under the Lehman Guaranteed Installment Note or the related Lehman guaranty will result in a loss of this $1 million of annual net interest income. For more information regarding the Installment Notes, the Securitization Notes and the Lehman bankruptcy, see our discussion of timber notes under the heading "Timber Notes" in this section. Excluding the interest income earned on the Installment Notes, interest income was $0.9 million and $1.2 million for the quarters ended September 27, 2008 and September 29, 2007, respectively and $3.2 million and $4.7 million for the nine months ended September 27, 2008 and September 29, 2007, respectively.

Other income (expense), net (non-operating) was $0.0 million for the third quarter of 2008 compared to expense of $0.2 million in the prior year. Other income (expense), net (non-operating) was $20.7 million of income for the first nine months of 2008 compared to expense of $5.9 million in the prior year. The income in 2008 was driven by a $20.5 million unusual item related to a distribution received from affiliates of Boise Cascade, L.L.C. for the income tax liability associated with the allocated gain on the sale by Boise Cascade, L.L.C. of a majority interest in its paper and packaging and newsprint businesses during the first quarter of 2008. In 2007, other income (expense), net (non-operating) included costs related to our accounts receivable securitization program, which we replaced

in July 2007, amounting to $0.3 million and $5.6 million, respectively, for the third quarter and first nine months of 2007.

For the third quarter of 2008 we recognized an income tax benefit of $276.4 million compared to expense of $29.1 million for the third quarter of 2007. Our effective tax (benefit) rate for the third quarter of 2008 was (39.0%) compared to an effective tax expense rate of 36.1% for the comparable period of 2007. For the first nine months of 2008, we recognized an income tax benefit of $265.5 million (effective tax (benefit) rate of (17.4%)) compared to income tax expense of $85.7 million (effective tax expense rate of 37.9%) for the same period of 2007. The impairment charge recorded in the second quarter included a portion of goodwill that was not deductible for tax purposes, resulting in a tax benefit of $26 million or approximately 2.8% of the pre-tax charge of $935.3 million. The 2008 rate also included an $8.7 million benefit recognized in the first quarter as we closed a federal income tax audit covering periods through the 2005 tax year. Income taxes for all periods were affected by the impact of state income taxes, non-deductible expenses and the mix of domestic and foreign sources of income.

We reported a net loss for the third quarter of 2008 of $431.9 million, or $5.70 per diluted share compared to net income of $49.9 million, or $0.64 per diluted share for the third quarter of 2007. Net loss for the first nine months of 2008 was $1,262.8 million, or $16.69 per diluted share compared to net income of $135.9 million, or $1.74 per diluted share in the first nine months of 2007. For the first nine months of 2008, the cumulative effect of unusual items principally consisting of non-cash impairment charges decreased net income by $1,353.3 million or $17.86 per diluted share. The unusual item recognized in the first quarter of 2007 reduced net income for the first nine months of 2007 by $1.1 million, or $0.01 per diluted share.

*OfficeMax, Contract*
*($ in millions, except per share amounts)*

| | Quarter Ended | | | |
|---|---|---|---|---|
| | September 27, 2008 | | September 29, 2007 | |
| | Reported Results | Percent of Sales | Reported Results | Percent of Sales |
| Sales | $1,049.1 | | $1,185.7 | |
| Gross profit | 228.5 | 21.8% | 261.4 | 22.1% |
| Operating, selling and general and administrative expenses | 193.0 | 18.4% | 206.4 | 17.5% |
| Segment income | $ 35.5 | 3.4% | $ 55.0 | 4.6% |
| **Sales by Product Line** | | | | |
| Office supplies and paper | $ 607.2 | 57.9% | $ 662.8 | 55.9% |
| Technology products | 307.9 | 29.3% | 374.5 | 31.6% |
| Office furniture | 134.0 | 12.8% | 148.4 | 12.5% |
| **Sales by Geography** | | | | |
| United States | $ 743.7 | 70.9% | $ 870.4 | 73.4% |
| International | 305.4 | 29.1% | 315.3 | 26.6% |
| **Sales Growth** | | | | |
| Total sales growth | (11.5)% | | 2.4% | |
| Internal sales growth, non-acquisition | (11.5)% | | 2.2% | |

| | Nine Months Ended | | | |
|---|---|---|---|---|
| | September 27, 2008 | | September 29, 2007 | |
| | Reported Results | Percent of Sales | Reported Results | Percent of Sales |
| Sales | $3,356.1 | | $3,647.3 | |
| Gross profit | 742.0 | 22.1% | 796.9 | 21.8% |
| Operating, selling and general and administrative expenses | 597.3 | 17.8% | 641.0 | 17.5% |
| Goodwill and other asset impairments | 464.0 | 13.8% | — | — |
| Other operating expense | 2.4 | 0.1% | — | — |
| Total operating expenses | 1,063.7 | 31.7% | 641.0 | 17.5% |
| Segment income (loss) | $ (321.7) | (9.6)% | $ 155.9 | 4.3% |
| **Sales by Product Line** | | | | |
| Office supplies and paper | $1,940.5 | 57.8% | $2,034.2 | 55.8% |
| Technology products | 1,019.0 | 30.4% | 1,170.2 | 32.1% |
| Office furniture | 396.6 | 11.8% | 442.9 | 12.1% |
| **Sales by Geography** | | | | |
| United States | $2,341.9 | 69.8% | $2,699.8 | 74.0% |
| International | 1,014.2 | 30.2% | 947.5 | 26.0% |
| **Sales Growth** | | | | |
| Total sales growth | (8.0)% | | 3.2% | |
| Internal sales growth, non-acquisition | (8.0)% | | 3.0% | |

For the third quarter of 2008, Contract segment sales decreased 11.5% to $1,049.1 million from $1,185.7 million for the third quarter of 2007, reflecting a U.S. sales decline of 14.6% and an International Contract operations' sales decrease of 3.5% in local currencies (a sales decrease of 3.1%

in U.S. dollars). Contract segment sales for the first nine months of 2008 decreased 8.0% to $3,356.1 million from $3,647.3 million for the first nine months of 2007, reflecting a U.S. sales decline of 13.3% and an International Contract operations' sales decline of 1.7% in local currencies (a sales increase of 7.0% in U.S. dollars.) U.S. sales declined in the third quarter of 2008 compared to the prior year period primarily due to: a) decreased sales from existing corporate accounts of about 8%, b) our continued discipline in account acquisition and retention which resulted in lower sales to new and retained customers and c) lower sales from small market public website and catalog business customers. Early in the fourth quarter of 2008, we entered into an alliance with Lyreco to service our respective global customers. This agreement allows OfficeMax to supply global customers that have operations in European countries and Asia through Lyreco, and allows Lyreco to supply global customers that have operations in the United States and Mexico through OfficeMax.

Contract segment gross profit margin decreased by 0.3% of sales to 21.8% of sales in the third quarter of 2008 compared to 22.1% of sales in the third quarter of 2007, primarily due to deleveraging fixed delivery and occupancy costs from lower sales, partially offset by improved account profitability for existing and new customers and targeted cost controls. Targeted costs controls included year-over-year reductions in our delivery fleet, resulting from optimizing delivery routes, which helped to reduce the impact of increased fuel costs. For the first nine months of 2008, Contract segment gross profit margin increased 0.3% of sales to 22.1% of sales compared to 21.8% of sales for the first nine months of 2007. The increase in gross profit margin in the first nine months resulted from better account management for existing and new customers and targeted cost controls, which more than offset the deleveraging of fixed delivery and occupancy costs due to the reduced sales.

Contract segment operating selling and general and administrative expenses increased by 0.9% of sales to 18.4% of sales for the third quarter of 2008, compared to 17.5% of sales for the third quarter of 2007. The increase was primarily due to the deleveraging of fixed expenses from lower sales, including higher fixed marketing, account administration and allocated general and administrative costs partially offset by targeted cost controls, including reduced selling expenses and fewer personnel in our customer fulfillment centers. In addition, we also began to cycle on operating expense improvements that we started generating in the third quarter of 2007. The operating, selling and general and administrative expenses for the first nine months of 2008 were slightly higher (17.8% of sales) compared to the same period of 2007 (17.5% of sales) as a result of the same factors impacting the third quarter.

Total Contract segment operating expenses for the first nine months of 2008 included a non-cash unusual charge of $464 million related to estimated goodwill impairment which represented 13.8% of sales. Other operating expense was due to a $2.4 million unusual item in the first quarter related to the consolidation of manufacturing facilities in New Zealand. For more information regarding impairment charges, see discussion of goodwill and other asset impairments below.

The Contract segment reported net operating income of $35.5 million, or 3.4% of sales in the third quarter of 2008 compared to net operating income of $55.0 million, or 4.6% of sales in the third quarter of 2007. For the first nine months of 2008, the Contract segment operating loss was $321.7 million, compared to operating income of $155.9 million, or 4.3% of sales, in the first nine months of 2007.

***OfficeMax, Retail***
***($ in millions, except per share amounts)***

| | Quarter Ended | | | |
|---|---|---|---|---|
| | September 27, 2008 | | September 29, 2007 | |
| | Reported Results | Percent of Sales | Reported Results | Percent of Sales |
| Sales | $1,047.2 | | $1,129.5 | |
| Gross profit | 298.0 | 28.5% | 326.6 | 28.9% |
| Operating, selling and general and administrative expenses | 268.9 | 25.7% | 281.3 | 24.9% |
| Segment income | $ 29.1 | 2.8% | $ 45.3 | 4.0% |
| **Sales by Product Line** | | | | |
| Office supplies and paper | $ 442.4 | 42.2% | $ 465.9 | 41.3% |
| Technology products | 514.7 | 49.2% | 556.8 | 49.3% |
| Office furniture | 90.1 | 8.6% | 106.8 | 9.4% |
| **Sales by Geography** | | | | |
| United States | $ 966.9 | 92.3% | $1,060.6 | 93.9% |
| International | 80.3 | 7.7% | 68.9 | 6.1% |
| **Sales Growth** | | | | |
| Total sales growth | (7.3)% | | 4.0% | |
| Same-location sales growth | (11.1)% | | 0.8% | |

| | Nine Months Ended | | | |
|---|---|---|---|---|
| | September 27, 2008 | | September 29, 2007 | |
| | Reported Results | Percent of Sales | Reported Results | Percent of Sales |
| Sales | $3,027.8 | | $3,236.6 | |
| Gross profit | 855.8 | 28.3% | 950.2 | 29.4% |
| Operating, selling and general and administrative expenses | 794.6 | 26.2% | 815.6 | 25.2% |
| Goodwill and other asset impairments | 471.3 | 15.6% | — | — |
| Other operating (income) expense, net | 12.0 | 0.4% | — | — |
| Total operating expenses | 1,277.9 | 42.2% | 815.6 | 25.2% |
| Segment income (loss) | $ (422.1) | (13.9)% | $ 134.6 | 4.2% |
| **Sales by Product Line** | | | | |
| Office supplies and paper | $1,200.8 | 39.7% | $1,233.9 | 38.1% |
| Technology products | 1,551.9 | 51.3% | 1,679.6 | 51.9% |
| Office furniture | 275.1 | 9.0% | 323.1 | 10.0% |
| **Sales by Geography** | | | | |
| United States | $2,818.3 | 93.1% | $3,058.6 | 94.5% |
| International | 209.5 | 6.9% | 178.0 | 5.5% |
| **Sales Growth** | | | | |
| Total sales growth | (6.5)% | | 2.0% | |
| Same-location sales growth | (9.9)% | | 0.9% | |

Retail segment sales decreased 7.3% to $1,047.2 million for the third quarter of 2008 from $1,129.5 million for the third quarter of 2007, reflecting a same-store sales decrease of 11.1%, partially offset by sales from new stores. The weaker U.S. consumer and small business spending was evidenced

by lower store traffic and a weaker back-to-school season than in the same quarter of the previous year. Retail same-store sales for the third quarter of 2008 declined across all major product categories. Declines were greatest in the higher-priced, discretionary furniture and technology product categories which resulted in decreased average tickets. For the first nine months of 2008, Retail segment sales decreased 6.5% to $3,027.8 million from $3,236.6 million in the first nine months of 2007, reflecting same-store sales declines of 9.9%. We opened seventeen new retail stores in the U.S. in the third quarter of 2008 and thirty-five in the first nine months, ending the period with 936 retail stores. Grupo OfficeMax, our majority owned joint venture in Mexico, opened five new stores during the third quarter of 2008 and sixteen in the first nine months, ending the period with 83 retail stores.

Retail segment gross profit margin decreased by 0.4% of sales to 28.5% of sales for the third quarter of 2008 compared to 28.9% of sales in the third quarter of 2007, primarily due to the deleveraging of fixed occupancy costs, which has continued since late-2007 for new and existing stores. For the 2008 back-to-school season, which is always an aggressive pricing environment, we adjusted our advertising strategies to drive traffic in the stores without sacrificing overall gross margin levels. And we continued to rationalize and refine our marketing mix through various media, not just circular advertising. The deleveraging of fixed-occupancy costs was partially offset by increased merchandise margins and a sales-mix shift towards higher-margin office supplies category sales. Increased fuel prices were mostly offset by fulfillment improvement programs and flexible delivery scheduling that resulted in fewer miles driven. For the first nine months, Retail segment gross profit margin decreased by 1.1% of sales to 28.3% of sales in 2008 compared to 29.4% in 2007. In addition to those factors impacting the third quarter, the gross profit margin decreases for the first nine months were influenced by increased inventory shrinkage costs due to the results of our physical inventories.

Retail segment operating, selling and general and administrative expenses increased by 0.8% of sales to 25.7% of sales compared to 24.9% of sales for the third quarter of 2007. The increase in expense for the third quarter of 2008 was primarily due to deleveraging of expenses from the same-store sales volume decrease, as well as the lower margins from new stores, partially offset by reduced incentive compensation expense and targeted cost controls, including the benefits from the reorganization of our Retail store management in the second quarter and Retail field and ImPress management undertaken in the first quarter.

The Retail segment total operating expenses were impacted by three unusual charges. In the second quarter of 2008, the segment recorded an unusual charge for $471.3 million, representing 15.6% of sales. This non-cash charge consisted of $386 million for impairment of the Retail segment's entire goodwill balance; $80 million for impairment of trade names and $5.3 million for impairment of fixed assets related to Retail stores. The segment also recorded two severance related charges. In the second quarter there was a $10.2 million charge, which was related to employee severance costs for the reorganization of our Retail store management. In the first quarter of 2008, there was a charge for $1.8 million related to employee severance costs for a reorganization of the Retail field and ImPress management organizations. The operating, selling and general and administrative expense increase in the first nine months of 2008 was primarily due to deleveraging of expenses from the same-store sales decrease and new stores, partially offset by reduced incentive compensation expense and targeted cost controls, including the benefits of the reorganizations. For more information regarding impairment charges, see the discussion of goodwill and other asset impairments that follows.

The Retail segment reported operating income of $29.1 million, or 2.8% of sales in the third quarter of 2008, compared to operating income of $45.3 million, or 4.0% of sales, in the third quarter of 2007. For the first nine months of 2008, the Retail segment reported an operating loss of $422.1 million compared to operating income of $134.6 million for the first nine months of 2007.

***Corporate and Other***

Corporate and Other expenses increased to $746.1 million in the third quarter of 2008 from $10.0 million in the third quarter of 2007. For the first nine months of 2008, Corporate and Other expenses increased to $761.7 million from $34.2 million in the first nine months of 2007. The third quarter was impacted by the impairment charge of $735.8 million on the Lehman Guaranteed Installment Note. For more information regarding the timber notes impairment see our discussion of timber notes under the heading "Timber Notes" in this section. Other than the impairment charge, Corporate and Other expense for the third quarter of 2008 was fairly consistent with the same quarter of 2007. For the first nine months of 2008, Corporate and Other expenses were impacted by the third quarter impairment charge, lower incentive compensation expense of $4.7 million and a second quarter $3.1 million unusual gain, primarily related to the release of a warranty escrow established at the time of sale of our legacy Voyageur Panel business in 2004.

***Goodwill and Other Asset Impairments***

During the third quarter of 2008, we recorded a pre-tax impairment charge of $735.8 million on the Lehman Guaranteed Installment Note. This impairment charge, recorded in the Corporate and Other segment, was included in the caption "Goodwill and other asset impairments" in the Consolidated Statements of Income. In addition, we also recorded the ongoing interest expense on the Securitization Notes, while impairing $18.2 million of accrued interest receivable related to the Lehman Guaranteed Installment Notes. The interest receivable impairment was included in the caption "Interest income" in the Consolidated Statements of Income. These non-cash charge resulted in a reduction of net income of $460.7 million, or $(6.06) per diluted share for the quarter ($(6.07) per diluted share for the nine-month period). For more information regarding the timber note impairment, see the discussion of timber notes under the heading "Timber Notes" in this section.

During the second quarter of 2008, we recorded estimated pre-tax impairment charges of $935.3 million related to goodwill and other assets in both our Contract and Retail segments. These non-cash charges consisted of $850 million of estimated goodwill impairment in both the Contract ($464 million) and Retail ($386 million) segments; $80 million of estimated impairment of trade names in our Retail segment and $5.3 million of impairment related to fixed assets in our Retail segment. We are required for accounting purposes to assess the carrying value of goodwill and other intangible assets annually or whenever circumstances indicate that a decline in value may have occurred. Based on our sustained low stock price and reduced market capitalization relative to the book value of equity, macroeconomic factors impacting industry business conditions, recent and forecasted segment operating performance, the competitive environment, and continued tightening of the credit markets, along with other factors, we determined that indicators of potential impairment were present during the second quarter of 2008. As a result, management assessed the carrying value of acquired goodwill and intangible assets with indefinite lives as well as other long-lived assets, for impairment. The measurement of impairment of goodwill and indefinite life intangibles consists of two steps, which require that we determine the fair value of our reporting units and then allocate reporting unit fair value to the individual assets and liabilities, similar to a purchase price allocation. We have concluded that we had impairment as of June 28, 2008, and are in the process of performing the fair value allocation process necessary to determine the final impairment of goodwill and other intangible assets. The estimates and assumptions made in assessing the fair value of the reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties. Accordingly, an adjustment to the estimated impairment charge will be required when we finalize our analysis, which is expected to be completed by the end of 2008. Any adjustment resulting from the completion of the analysis and finalization of the charge could be material, but will be non-cash. Although the Company is finalizing its estimated non-cash impairment charge recorded in the second quarter of 2008, its common stock has continued to trade below book value per share during the third quarter of 2008.

Management will continue to monitor the relationship of the Company's market capitalization to its book value, which management attributes to both retail industry-wide and Company specific factors, and evaluate the carrying value of goodwill and other intangibles.

***Integration Activities and Facility Closures***

We conduct regular reviews of our real estate portfolio to identify underperforming facilities, and close those facilities that are no longer strategically or economically viable. We record a liability for the cost associated with a facility closure at its fair value in the period in which the liability is incurred. At September 27, 2008, $16.8 million of the reserve for integration and facility closures was included in accrued expenses and other liabilities, and $40.5 million was included in other long-term obligations in the Consolidated Balance Sheets. The integration and facility closure reserve included $56.7 million for estimated future lease obligations, which represents the estimated net present value of the lease obligations and is net of anticipated sublease income of approximately $57.8 million.

Integration and facility closure reserve account activity during the first nine months of 2008 and 2007, was as follows:

| | Lease/Contract Terminations | Severance/ Retention | Other | Total |
|---|---|---|---|---|
| | (Thousands) | | | |
| Balance at December 29, 2007 | $ 73,231 | $ 2,414 | $ 1,417 | $ 77,062 |
| Charges to income | 3,084 | 79 | — | 3,163 |
| Changes to estimated costs included in income | (1,982) | (1,414) | — | (3,396) |
| Cash payments | (19,740) | (900) | (919) | (21,559) |
| Accretion | 2,058 | — | — | 2,058 |
| Balance at September 27, 2008 | $ 56,651 | $ 179 | $ 498 | $ 57,328 |

| | Lease/Contract Terminations | Severance/ Retention | Other | Total |
|---|---|---|---|---|
| | (Thousands) | | | |
| Balance at December 30, 2006 | $ 107,824 | $ 10,838 | $ 3,142 | $121,804 |
| Changes to estimated costs included in income | — | — | — | — |
| Cash payments | (32,455) | (7,462) | (1,656) | (41,573) |
| Accretion | 2,825 | — | — | 2,825 |
| Balance at September 29, 2007 | $ 78,194 | $ 3,376 | $ 1,486 | $ 83,056 |

***Liquidity and Capital Resources***

As of September 27, 2008, we had $234.5 million of cash and cash equivalents, (of which $171.2 million was invested and available), and $374.0 million of short-term and long-term debt, excluding the $1.470 million of timber securitization notes. We also had $22.4 million of restricted investments on deposit which are pledged to secure a portion of the outstanding debt. We also had $602 million of available credit under our $700 million Loan Agreement. Our unused borrowing capacity reflects an available borrowing base of $669.4 million, no outstanding borrowings, and $67.3 million of letters of credit issued under the Loan Agreement as of the end of the quarter. As of December 29, 2007, we had $152.6 million of cash and cash equivalents, $398.4 million of short-term and long-term debt, excluding the $1.470 million of timber securitization notes, and $22.4 million of restricted investments. During the first nine months of 2008 we reduced our net debt (total debt excluding the timber securitization notes less cash and restricted investments) by $106.3 million.

Our ratio of current assets to current liabilities was 1.57:1 at September 27, 2008 compared with a ratio of 1.61:1 at December 29, 2007.

Our primary ongoing cash requirements relate to working capital, expenditures for property and equipment, lease obligations, debt service and the accelerated tax payment related to the Installment Notes. We expect to fund these requirements through a combination of cash flow from operations and seasonal borrowings under our revolving credit facility. The sections that follow discuss in more detail our operating, investing, and financing activities, as well as our financing arrangements.

*Operating Activities*

OfficeMax's operating activities generated $246.7 million of cash during the first nine months of 2008, compared to $31.5 million of cash during the first nine months of 2007. Changes in working capital in the first nine months of 2008 provided $58.1 million in cash primarily due to the net impact of reduced receivables and inventories which was offset by reductions in taxes, accounts payable and other accruals. We ended the third quarter of 2008 with inventory $97.8 million lower than at the end of 2007, with declines in inventory per store and per distribution center partially offset by store growth. Accounts payable at the end of the third quarter was $40.6 million lower than year end, primarily reflecting the timing of vendor payments and lower inventory levels. Receivables at the end of the quarter were $70.3 million lower than year end, reflecting both volume declines in the Contract segment as well as improvements in monitoring and collecting of the receivables in a tougher economy. In the first nine months of 2007, changes in working capital used $231.1 million of cash, principally due to the termination of our accounts receivable securitization program and a reduction in accounts payable which was due to lower inventory levels and reduced terms for a few key suppliers, partially offset by $82 million of cash proceeds realized from the monetization of certain company-owned life insurance assets.

We sponsor noncontributory defined benefit pension plans covering certain terminated employees, vested employees, retirees, and some active employees. Pension expense was $1.4 million and $7.5 million for the first nine month of 2008 and 2007, respectively. For the first nine months of 2008 and 2007, we made contributions to our pension plans totaling $6.8 million and $12.8 million, respectively. At the end of 2007, the pension plans were under funded by $107 million. Current events in the credit and equity markets may have a significant impact on the projected unfunded balance as well as future contributions after 2009, and future pension expense to be recorded in 2009 and later. As of the end of the quarter, the return on plan assets was a year-to-date decline of approximately 16%. Pursuant to IRS funding rules and based on our past funding practices, our minimum required contribution in 2009 is currently estimated to be less than $10 million. We may elect to make additional voluntary contributions in 2009 in order to reduce future requirements, and in 2010, we could experience significantly higher cash contribution levels. We also have post retirement medical plans in which we pay participants directly. See "Disclosures of Financial Market Risks" in this Management's Discussion and Analysis of Financial Condition and Results of Operations for more information.

As a result of the Lehman bankruptcy, we expect to make a cash payment in an amount not to exceed approximately $50 million representing accelerated tax liability on one-half of the gain on the Sale transaction. We continue to believe that the estimated $50 million tax payment will be funded using available excess cash and, if necessary, funds available under our Loan Agreement. The timing of the tax payment is anticipated to be no later than the first quarter of 2009. In addition, per the timber note agreements, the OMX SPE was expected to receive approximately $41 million in interest annually under the Lehman Guaranteed Installment Note. This interest income was to fund approximately $40 million in interest payable annually to holders of the related Securitization Notes, which would have resulted in net interest income to us of approximately $1 million. Continued nonpayment under the Lehman Guaranteed Installment Note or the related Lehman guaranty will result in a loss of this $1 million of annual net interest income.

*Investment Activities*

Our investing activities used $102.6 million of cash during the first nine months of 2008, compared to $102.1 million during the first nine months of 2007. Investment activities during the first nine months of 2008 consisted of expenditures for property and equipment. In the first nine months of 2008, we opened 35 new domestic stores, 16 new stores in Mexico and we completed 31 store remodels. We expect our capital investments in 2008 to total between $140 and $160 million, excluding acquisitions. Our capital spending projection includes leasehold improvements, new stores, store remodeling projects and other projects to support our infrastructure. In 2008, we still expect to open up to 40 new domestic stores, mostly in existing markets.

*Financing Activities*

Our financing activities used $60.6 million of cash during the first nine months of 2008, compared with $65.4 million during the first nine months of 2007. Dividend payments totaled $34.4 million and $35.8 million during the first nine months of 2008 and 2007, respectively. In both years, our quarterly dividend was 15 cents per common share. During the first nine months of 2008, we used $26.4 million of cash to reduce debt as compared to $25.5 million for the same period in 2007.

Our debt structure consists of credit agreements, note agreements and other borrowings. Information regarding our debt structure is included below. For additional information, see Note 12, Debt, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of our Annual Report on Form 10-K for the year ended December 29, 2007.

*Credit Agreements*

On July 12, 2007, we entered into an Amended and Restated Loan and Security Agreement (the "Loan Agreement") with a group of banks. The Loan Agreement amended our existing revolving credit facility and replaced our accounts receivable securitization program. The Loan Agreement permits us to borrow up to a maximum of $700 million subject to a borrowing base calculation that limits availability to a percentage of eligible accounts receivable plus a percentage of the value of eligible inventory less certain reserves. The revolving credit facility may be increased (up to a maximum of $800 million) at our request or reduced from time to time, in each case according to terms detailed in the Loan Agreement. There were no borrowings outstanding under our revolving credit facilities as of September 27, 2008 or December 29, 2007. There were no borrowings outstanding during the first nine months of 2008 or 2007. Letters of credit, which may be issued under the revolving credit facility up to a maximum of $250 million, reduce available borrowing capacity under the revolving credit facility. Letters of credit issued under the revolving credit facility totaled $67.3 million as of September 27, 2008 and $85.5 million as of December 29, 2007. As of September 27, 2008, the maximum aggregate borrowing amount available under the revolving credit facility was $669.4 million and excess availability under the revolving credit facility totaled $602.0 million. The Loan Agreement allows the payment of dividends subject to availability restrictions and so long as no default has occurred. At September 27, 2008, we were in compliance with all covenants under the Loan Agreement. The Loan Agreement expires on July 12, 2012.

Borrowings under the revolving credit facility bear interest at rates based on either the prime rate or the London Interbank Offered Rate ("LIBOR"). Margins are applied to the applicable borrowing rates and letter of credit fees under the revolving credit facility depending on the level of average excess availability. Fees on letters of credit issued under the revolving credit facility were charged at a weighted average rate of 0.875% during the third quarter of 2008. We are also charged an unused line fee of 0.25% on the amount by which the maximum available credit exceeds the average daily outstanding borrowings and letters of credit.

As of September 27, 2008, Grupo OfficeMax, our 51% owned joint venture in Mexico, had short term borrowings of $9.8 million consisting of one promissory note payable; the note matures in the fourth quarter of 2008. During the third quarter of 2008, Grupo OfficeMax entered into a long term installment loan agreement for $14.7 million payable in 60 monthly installments beginning in the second quarter of 2009. Grupo OfficeMax also has a simple revolving credit facility permitting borrowing up to $10.3 million, based upon the spot rate at the end of the third quarter of 2008. There were no borrowings outstanding under this revolving credit facility at the end of the third quarter of 2008. The average amount outstanding under this revolving credit facility during the third quarter of 2008 was $8.2 million. The revolving credit facility expires on April 27, 2009. As of December 29, 2007, Grupo OfficeMax had short term borrowings of $14.2 million consisting of three loans with balances of $4.6 million, $4.6 million and $5.0 million, respectively. Two of these loans were promissory notes that were refinanced in the second quarter of 2008. The third loan was a simple revolving loan. The financing for Grupo OfficeMax is unsecured with no recourse against us.

*Timber Notes*

In October 2004, as part of the Sale, we sold our timberlands in exchange for $15 million in cash plus credit-enhanced timber installment notes in the amount of $1,635 million (the "Installment Notes"). The Installment Notes were issued by single- member limited liability companies formed by Boise Cascade, L.L.C. (the "Note Issuers"). The Installment Notes are 15-year non-amortizing obligations and were issued in two equal $817.5 million tranches bearing interest at 5.11% and 4.98%, respectively. In order to support the issuance of the Installment Notes, at the time of the Sale, Boise Cascade, L.L.C. transferred a total of $1,635 million in cash ($817.5 million each) to Lehman Brothers Holding Inc. ("Lehman") and Wachovia Corporation ("Wachovia"). Lehman and Wachovia issued collateral notes (the "Collateral Notes") to the Note Issuers. The Collateral Notes were substantially similar to the Installment Notes, except that the Collateral Notes pay interest quarterly and the Installment Notes pay interest semi-annually. The only assets of the Note Issuers are the Collateral Notes. There is a spread between the interest rates on the Collateral Notes and the Installment Notes to cover the operating expenses of the Note Issuers and the cost of the guarantees discussed below. Concurrently with the issuance of the Installment and Collateral Notes, Lehman and Wachovia guaranteed the respective Installment Notes and the Note Issuers pledged the Collateral Notes as security for the performance of the Installment Note obligations. The note structure allowed us to defer recognition of the capital gain and payment of the related taxes on the Sale until 2019, the scheduled maturity date of the Installment Notes.

In December 2004, we completed a securitization transaction in which its interests in the Installment Notes and related guarantees were transferred to wholly-owned bankruptcy remote subsidiaries, OMX Timber Finance Investments I, L.L.C. ("OMX Timber I") and OMX Timber Finance Investments II, L.L.C. ("OMX Timber II") (collectively the "OMXSPEs") that were originally intended to be qualifying special purpose entities. The OMXSPEs subsequently failed to qualify and are currently variable interest entities. The OMXSPEs pledged the Installment Notes and related guarantees and issued Securitization Notes in the amount of $1,470 million ($735 million through the structure supported by the Lehman guaranty and $735 million through the structure supported by the Wachovia guaranty). Recourse on the Securitization Notes is limited to the applicable pledged Installment Notes and underlying Lehman and Wachovia guarantees. The Securitization Notes are 15-year non-amortizing, and were issued in two equal $735 million tranches paying interest of 5.54% and 5.42%, respectively.

As a result of these transactions, we received $1,470 million ($735 million from investors in the Securitization Notes guaranteed by Lehman) in cash from the OMXSPEs, and over 15 years the OMXSPEs were expected to earn approximately $82.5 million per year in interest income on the Installment Notes receivable ($41.25 million from interest on the Lehman guaranteed Installment Note) and expected to incur annual interest expense of approximately $80.5 million on the Securitization Notes ($40.25 million from interest on the Securitization Notes guaranteed by Lehman). The pledged Installment Notes receivable and Securitization Notes were scheduled to mature in 2020 and 2019, respectively. The Securitization Notes have an initial term that is approximately three months shorter than the Installment Notes. We expected to refinance our ownership of the Installment Notes in 2019 with a short-term secured borrowing to bridge the period from initial maturity of the Securitization Notes to the maturity of the Installment Notes.

The Note Issuers are variable-interest entities (the "VIEs") under Financial Accounting Standards Board ("FASB") Interpretation 46R, "Consolidation of Variable Interest Entities." The OMXSPEs are considered to be the primary beneficiary of the Note Issuers, and therefore, the VIEs are required to be consolidated with the OMXSPEs, which are also the issuers of the Securitization Notes. The accounts of the OMXSPEs have been consolidated into those of their ultimate parent, OfficeMax. The effect of our consolidation of the OMXSPEs is that the securitization transaction is treated as a financing, and both the Installment Notes receivable and the Securitization Notes payable are reflected in our consolidated balance sheets.

On September 15, 2008, Lehman, guarantor of half of the Installment Notes and the Securitization Notes, filed a petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under chapter 11 of the United States Bankruptcy Code. On September 17, 2008, attorneys for OMX Timber II delivered notices to the trustee under the indenture applicable to the Securitization Notes, to the issuer of the Installment Notes and to Lehman, which stated that as a result of Lehman's bankruptcy filing, an event of default had occurred under the $817.5 million in Installment Note guaranteed by Lehman (the "Lehman Guaranteed Installment Note"). These notices stated that OMX Timber II was assessing all rights and remedies available to it, was not waiving or agreeing to forbear in the exercise of any of its rights, and reserved the right to exercise any rights available to it in the future. OMX Timber II does not believe the events described in its notices constituted an event of default under the indenture.

We concluded in late October that due to the uncertainty of collection of the Lehman Guaranteed Installment Note as a result of the Lehman bankruptcy, the carrying value of the Lehman Guaranteed Installment Note was impaired, and recorded a non-cash impairment charge of $735.8 million for the third quarter of 2008. We are required for accounting purposes to assess the carrying value of assets whenever circumstances indicate that a decline in value may have occurred. However, under current generally accepted accounting principles, we are required to continue to recognize the liability related to the Securitization Notes guaranteed by Lehman (the "Lehman Guaranteed Securitization Notes") until such time as the liability has been "extinguished", under the guidance in paragraph 16 of SFAS No. 140, which will be when the Lehman Guaranteed Installment Note and the guaranty are transferred to and accepted by the note holders. We expect that this will occur no later than the date when the assets of Lehman are distributed and the bankruptcy is finalized. Accordingly, the current period non-cash charge is expected to be followed by a later period non-cash gain at the time the liability is legally extinguished.

On October 29, 2008, Lehman failed to pay the $20.6 million interest payment due to the Note Issuer. The Note Issuer did not to make the $20.6 million interest payment due to OMX Timber II, and, in turn, OMX Timber II did not make its $20 million interest payment due to the holders of the Lehman Guaranteed Securitization Notes. We also impaired $18.2 million of accrued interest receivable associated with the Lehman Installment Note in the third quarter of 2008 as a result of this nonpayment. The interest receivable impairment, which represented approximately five months of

interest, was recorded to interest income. We recorded the ongoing interest expense on the Lehman Guaranteed Securitization Notes, as it is required to continue accruing interest expense on such notes until the default date, October 29, 2008.

At the time of the Sale, we generated a tax gain and recognized the related deferred tax liability. The timber note structure allowed the Company to defer the resulting tax liability of $543 million until 2019, the maturity date for the Installment Notes. Due to the impairment, approximately half of this tax gain will be accelerated and the related taxes will become due and payable no later than the first quarter of 2009. We have available alternative minimum tax credits, a portion of which resulted from prior tax payments related to the Sale, which will be used to reduce the cash tax payment triggered by the Lehman default. As a result, we believe the cash tax exposure related to the portion of the tax gain triggered by the Lehman default will not exceed approximately $50 million.

Finally, per the timber note agreements, the OMX SPE was expected to receive approximately $41 million in interest annually under the Lehman Guaranteed Installment Note. This interest income was to fund approximately $40 million in interest payable annually to holders of the Lehman Guaranteed Securitization Notes, which would have resulted in net interest income to us of approximately $1 million. Continued nonpayment under the installment note guaranteed by Lehman or the related Lehman guaranty will result in a loss of this $1 million of annual net interest income.

We believe that any cash required as a result of the events described above would be funded adequately by our cash position and our Loan Agreement.

*Note Agreements*

In October 2003, we issued 6.50% senior notes due in 2010 and 7.00% senior notes due in 2013. At the time of issuance, the senior note indentures contained a number of restrictive covenants, substantially all of which have since been eliminated through the execution of supplemental indentures as described below. On November 5, 2004, we repurchased substantially all of the outstanding 6.50% senior notes and received the requisite consents to adopt amendments to the indenture pursuant to a tender offer for these securities. As a result, the Company and the trustee executed a supplemental indenture that eliminated substantially all of the restrictive covenants, certain events of default and related provisions, and replaced them with the covenants contained in our other public debt. Those covenants include a limitation on mergers and similar transactions, a restriction on secured transactions involving Principal Properties, as defined, and a restriction on sale and leaseback transactions involving Principal Properties.

In December 2004, both Moody's Investors Service, Inc. and Standard & Poor's Rating Services upgraded the credit rating on our 7.00% senior notes to investment grade as a result of actions we took to collateralize the notes by granting the note holders a security interest in certain investments maturing in 2008 (the "Pledged Instruments"). These Pledged Instruments are reflected as restricted investments in the Consolidated Balance Sheets. As a result of these ratings upgrades, the original 7.00% senior note covenants have been replaced with the covenants found in our other public debt. The remaining Pledged Instruments continue to be subject to the security interest, and are reflected as restricted investments in the Consolidated Balance Sheets. In the fourth quarter of 2008, upon a call option, we intend to redeem the 7% senior notes using proceeds from the redemption of the Pledged Instruments and have provided notice of such to the note holders. Accordingly, the 7% senior notes and the related restricted investments have been classified as current in the Consolidated Balance Sheets. Also in the fourth quarter of 2008, associated with the redemption of the 7% senior notes, we will record a non-cash charge of $0.7 million to fully amortize related deferred financing charges and a cash charge of $0.7 million for the call premium on the notes.

*Other*

We have various unsecured debt outstanding, including approximately $189.9 million of revenue bonds due in varying amounts through 2029. Approximately $69.2 million of these obligations may be called in the near future due to a potential adverse determination regarding the exempt status of interest on the bonds from the Internal Revenue Service ("IRS"). We have appealed the proposed IRS determination. The $69.2 million of debt is classified as long-term debt in the Consolidated Balance Sheets as we intend to utilize its long-term revolving credit facility to fund any required payment.

Cash payments for interest, net of interest capitalized, were $4.2 million and $18.9 million for the quarter and nine months ended September 27, 2008, respectively, and $5.7 million and $26.4 million for the quarter and nine months ended September 29, 2007, respectively.

***Contractual Obligations***

For information regarding contractual obligations, see the caption "Contractual Obligations" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 29, 2007. In the first quarter of 2007, we adopted Interpretation (FIN) No. 48, "Accounting for Uncertainty in Income Taxes-an interpretation of Financial Accounting Standards Board (FASB) Statement No. 109", see Note 7, Income Taxes, of "Notes to Quarterly Consolidated Financial Statements (Unaudited)" in this Form 10-Q. As of September 27, 2008, we had approximately $18.7 million of total gross unrecognized tax benefits.

In accordance with the terms of a joint-venture agreement between the minority owner of our subsidiary in Mexico (Grupo OfficeMax) and us, we can be required to purchase the minority owner's 49% interest in the subsidiary if certain earnings targets are achieved. At September 27, 2008, Grupo OfficeMax had met these earnings targets. The earnings targets are calculated quarterly on a rolling four-quarter basis. Accordingly, the targets can be achieved in one quarter but not in the next. If the earnings targets are achieved and the minority owner elects to put its ownership interest to us, the purchase price would be equal to fair value, calculated based on the subsidiary's earnings before interest, taxes and depreciation and amortization for the last four quarters, and the current market multiples for similar companies. The fair value purchase price at September 27, 2008 is estimated to be between $30 million and $35 million.

***Off-Balance-Sheet Activities and Guarantees***

Prior to July 2007, we sold, on a revolving basis, an undivided interest in a defined pool of receivables while retaining a subordinated interest in a portion of the receivables. The receivables were sold without legal recourse to third party conduits through a wholly owned bankruptcy-remote special purpose entity that was consolidated for financial reporting purposes. We continued servicing the sold receivables and charged the third party conduits a monthly servicing fee at market rates. The program qualified for sale treatment under FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities."

On July 12, 2007, we entered into a new loan agreement (See Note 12, Debt, of the notes to Consolidated Financial Statements in "Item 8, Financial Statements and Supplementary Data" in our Annual Report on Form 10-K for the year ended December 29, 2007.) The new loan agreement amended our existing revolving credit facility and replaced our accounts receivable securitization program. The transferred accounts receivable under the accounts receivable securitization program at that date were refinanced with borrowings under the new loan agreement and excess cash. We no longer sell any of our accounts receivable.

For information regarding off-balance-sheet activities and guarantees, see Note 10, Sales of Accounts Receivable, of "Notes to Quarterly Consolidated Financial Statements (Unaudited)" in this

Form 10-Q and the caption "Off-Balance-Sheet Activities and Guarantees" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 29, 2007. Except as discussed below, at September 27, 2008, there had not been a material change to the information regarding off-balance-sheet-activities and guarantees disclosed in our Annual Report on Form 10-K for the year ended December 29, 2007.

***Disclosures of Financial Market Risks***

Our debt is predominantly fixed-rate as is the interest on our timber notes receivable. During the third quarter of 2008, issues involving the Installment Notes and Securitization Notes, as well as recent market conditions affecting short-term liquidity have impacted the fair market value of our debt and our Installment Notes. At September 27, 2008, the estimated current market value of our debt, based on quoted market prices when available or then-current interest rates for similar obligations with like maturities, including the Installment Notes, was approximately $864.7 million lower than the amount of debt reported in the Consolidated Balance Sheet. At September 27, 2008, the estimated fair value of our Installment Notes was below their carrying amount by $164.9 million. The estimated fair values of our other financial instruments, including cash and cash equivalents, receivables and short-term borrowings are approximately the same as their carrying values. See "Liquidity and Capital Resources" in this Management's Discussion and Analysis of Financial Condition and Results of Operations for more information regarding our Installment Notes.

The table below provides information about our financial instrument liabilities outstanding at September 27, 2008 and December 29, 2007 that are sensitive to changes in interest rates. The table presents principal cash flows and related weighted average interest rates by expected maturity dates. For obligations with variable interest rates, the table sets forth payout amounts based on current rates and does not attempt to project future rates. Changes in payment timing for short-term borrowings and long-term other than the timber notes are primarily related to changes in borrowings by our Mexican joint-venture and by our decision to pay some debt early. See "Liquidity and Capital Resources" in this Management's Discussion and Analysis of Financial Condition and Results of Operations for more information.

| | | | | | | | Period Ended | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | September 27, 2008 | | December 29, 2007 | |
| | 2008(a) | 2009 | 2010 | 2011 | 2012 | Thereafter | Total | Fair Value | Total | Fair Value |
| **Debt** | | | | | | | | | | |
| Short-term borrowings | $ 9.8 | $ — | $ — | $ — | $ — | $ — | $ 9.8 | $ 9.8 | $ 14.2 | $ 14.2 |
| Average interest rates | 9.8% | —% | —% | —% | —% | —% | 9.8% | —% | 9.0% | —% |
| Long-term debt | | | | | | | | | | |
| Fixed-rate debt payments(b) | $ 19.2 | $ 53.1 | $ 16.7 | $ 3.5 | $ 38.1 | $ 233.6 | $ 364.2 | $ 295.5 | $ 384.2 | $ 382.4 |
| Average interest rates | 7.0% | 8.9% | 7.1% | 9.7% | 8.1% | 5.8% | 7.0% | —% | 6.9% | —% |
| Timber notes securitized: | | | | | | | | | | |
| Wachovia | $ — | $ — | $ — | $ — | $ — | $ 735.0 | $ 735.0 | $ 592.2 | $ 735.0 | $ 790.9 |
| Average interest rates | — | — | — | — | — | 5.5% | 5.5% | —% | 5.5% | —% |
| Lehman(c) | $ — | $ — | $ — | $ — | $ — | $ 735.0 | $ 735.0 | $ 81.8 | $ 735.0 | $ 790.9 |
| Average interest rates | — | — | — | — | — | 5.5% | 5.5% | —% | 5.5% | —% |

(a) Payments due in the fourth quarter of 2008.

(b) As discussed previously in Liquidity and Capital Resources—Other in this Management's Discussion and Analysis of Financial Condition and Results of Operations, $69.2 million of revenue bonds maturing after 2012 may be called in the near future.

(c) As discussed previously in Liquidity and Capital Resources—Timber Notes in this Management's Discussion and Analysis of Financial Condition and Results of Operations, the Lehman Guaranteed Securitization Notes may be extinguished prior to their scheduled maturity as a result of the Lehman bankruptcy.

The table below provides information about our financial instrument assets as of September 27, 2008 and December 29, 2007.

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | (thousands) | | | |
| Financial assets: | | | | |
| Timber notes receivable—Wachovia | $ 817.5 | $652.6 | $ 817.5 | $881.8 |
| Timber notes receivable—Lehman | $ 81.8 | $ 81.8 | $ 817.5 | $881.8 |
| Restricted investments | 22.4 | 22.4 | 22.4 | 21.8 |

In addition to our debt instruments, market risk also arises within our defined benefit pension plans to the extent that the obligations of the pension plans are not fully matched by assets with determinable cash flows. We sponsor noncontributory defined benefit pension plans covering certain terminated employees, vested employees, retirees, and some active OfficeMax employees. As our plans were frozen in 2003, our active employees and all inactive participants who are covered by the plans are no longer accruing additional benefits. However, the pension plan obligations are still subject to change due to fluctuations in long-term interest rates as well as factors impacting actuarial valuations such as retirement rates and pension members living longer. In addition to changes in pension plan obligation, contributions and expense are also impacted by the return on the pension plan assets. The pension plan assets include U.S. equities, international equities and fixed-income securities, the cash flows of which change as equity prices and interest rates vary. The risk is that market movements in equity prices and interest rates could result in assets that are insufficient over time to cover the level of projected obligations. This in turn could result in significant changes in pension expense and funded status, further impacting future required contributions. Management, together with the trustees who act on behalf of the pension plan beneficiaries, assess the level of this risk using reports prepared by independent external actuaries and take action, where appropriate, in terms of setting investment strategy and agreeing contribution levels.

Recent market conditions have resulted in an unusually high degree of volatility and increased the risks associated with certain investments held by our pension plans which has impacted the value of those investments. There has been a negative return on pension plan assets through September 27, 2008 which could ultimately affect the funded status of the pension plan. These same market conditions have resulted in changes in interest rates that could also impact the funded status of the both our pension plans and our postretirement medical plans. The ultimate impact on the funded status of these plans will be determined based upon market conditions in effect when the annual valuation for the plan year ended December 31, 2008 is performed and will be reflected in our retirement and benefit plan disclosures at year-end.

For additional information regarding market risk see the caption "Disclosures of Financial Market Risk" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 29, 2007.

***Seasonal Factors***

Our business is seasonal, with OfficeMax, Retail showing a more pronounced seasonal trend than OfficeMax, Contract. Sales in the second quarter and summer months are historically the slowest of the year. Sales are stronger during the first, third and fourth quarters that include the important new-year office supply restocking month of January, the back-to-school period and the holiday selling season, respectively. Therefore, quarterly results are not necessarily indicative of full year trends.

***Environmental***

For information regarding environmental issues, see the caption "Environmental" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 29, 2007. In addition, our disclosure regarding CERCLA was updated as set forth in Note 17 in the Notes to the Quarterly Consolidated Financial Statements in our Quarterly Report on Form 10-Q for the period ended June 28, 2008.

***Critical Accounting Estimates***

The preparation of financial statements requires management to make estimates and assumptions which may differ materially from the actual results. For information regarding critical accounting estimates, see the caption "Critical Accounting Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 29, 2007. As discussed in Note 4 to the quarterly financial statements, we recorded an estimated charge to reduce the carrying value of our goodwill and other assets. Estimating fair value involves significant assumptions. We have used assumptions we believe to be reasonable but are unpredictable and inherently uncertain. Therefore, actual future results may differ from those estimates. In addition, we have not completed the fair value allocation process necessary to determine the final impairment of goodwill and other assets. Accordingly, an adjustment to the estimated impairment charge will be required when we finalizes our analysis, which is expected to be completed by the end of 2008. Any such adjustment could be material.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information regarding market risk see the caption "Disclosures of Financial Market Risk" in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" herein.

## ITEM 4. CONTROLS AND PROCEDURES

*(a) Disclosure Controls and Procedures*

The Company's management, with the participation of the Company's Chief Executive Officer and principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, these officers have concluded that the Company's disclosure controls and procedures are effective for the purpose of ensuring that material information required to be included in this quarterly report is made known to them by others on a timely basis and that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

*(b) Changes in Internal Controls over Financial Reporting*

There was no change in the Company's internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are involved in litigation and administrative proceedings arising in the normal course of our business. In the opinion of management, our recovery, if any, or our liability, if any, under pending litigation or administrative proceedings would not materially affect our financial position or results of operations. For information concerning legal proceedings, see "Item 3. Legal Proceedings" and Note 18, Legal Proceedings and Contingencies, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 29, 2007 and "Part II, Item 1. Legal Proceedings" in the Company's Quarterly Reports on Form 10-Q for the quarters ended March 29, 2008 and June 28, 2008

### ITEM 1A. RISK FACTORS

***Cautionary and Forward-Looking Statements***

This Quarterly Report on Form 10-Q contains forward-looking statements. Statements that are not historical or current facts, including statements about our expectations, anticipated financial results and future business prospects, are forward-looking statements. You can identify these statements by our use of words such as "may," "will," "expect," "believe," "should," "plan," "anticipate" and other similar expressions. You can find examples of these statements throughout this report, including Management's Discussion and Analysis of Financial Condition and Results of Operations. We cannot guarantee that our actual results will be consistent with the forward-looking statements we make in this report. We have listed below some of the inherent risks and uncertainties that could cause our actual results to differ materially from those we project. We do not assume an obligation to update any forward-looking statement.

***Intense competition in our markets could harm our ability to maintain profitability.*** Domestic and international office products markets are highly and increasingly competitive. Customers have many options when purchasing office supplies and paper, print and document services, technology products and solutions and office furniture. We compete with worldwide contract stationers, office supply superstores, mass merchandisers, wholesale clubs, computer and electronics superstores, Internet merchandisers, direct-mail distributors, discount retailers, drugstores, supermarkets and thousands of local and regional contract stationers. In addition, an increasing number of manufacturers of computer hardware, software and peripherals, including some of our suppliers, have expanded their own direct marketing efforts. The other large office supply superstores have increased their presence in close proximity to our stores in recent years and are expected to continue to do so in the future. In addition, many of our competitors have expanded their office products assortment, and we expect they will continue to do so. In recent years, two package delivery companies have established retail stores that compete directly with us for copy, printing, packaging and shipping business, and offer a limited assortment of office products and services similar to the ones we offer. We anticipate increasing competition from our two domestic office supply superstore competitors and various other competitors, including the two package delivery companies, for print-for-pay and related services. Print and documents services, or print-for-pay, and related services have historically been a key point of difference for OfficeMax stores and are expected to become an increasingly more important part of our future strategies. Any or all of our competitors may become even more aggressive in the future. Increased competition in the office products markets, together with increased advertising, has heightened price awareness among end-users. Such heightened price awareness has led to margin pressure on office products and impacted the results of both our Retail and Contract segments. In addition to price, competition is also based on customer service, the quality and breadth of product selection, and convenient locations. Some of our competitors are larger than us and have greater financial resources, which affords them greater purchasing power, increased financial flexibility and

more capital resources for expansion and improvement, which may enable them to compete more effectively than we can.

***We may be unable to open and remodel stores successfully.*** Our business plans include the opening and remodeling of a number of retail stores. For these plans to be successful, we must identify and lease favorable store sites, develop remodeling plans, hire and train associates and adapt management and systems to meet the needs of these operations. These tasks are difficult to manage successfully. If we are not able to open and remodel stores as quickly as we have planned, our future financial performance could be materially and adversely affected. Further, we cannot ensure that the new or remodeled stores will achieve the sales or profit levels that we anticipate. This is particularly true as we introduce different store designs, formats and sizes or enter into new market areas. In particular, the "Advantage" prototype store format we intend to utilize for new and remodeled stores was new in 2006 and there can be no assurance as to whether or to what extent that format will be successful.

***Economic conditions directly influence our operating results.*** Economic conditions, both domestically and abroad, directly influence our operating results. Current and future economic conditions, including the level of unemployment, energy costs, inflation, availability of credit, and the financial condition and growth prospects of our customers may adversely affect our business and the results of our operations.

***Our expanding international operations expose us to the unique risks inherent in foreign operations.*** During 2007, we expanded our operations in international markets, and we may also seek to expand further into other international markets. Our foreign operations encounter risks similar to those faced by our U.S. operations, as well as risks inherent in foreign operations, such as local customs and regulatory constraints, foreign trade policies, competitive conditions, foreign currency fluctuations and unstable political and economic conditions.

***Our quarterly operating results are subject to fluctuation.*** Our quarterly operating results have fluctuated in the past and are likely to do so in the future. Factors that may contribute to these quarter-to-quarter fluctuations could include the effects of seasonality, our level of advertising and marketing, new store openings, changes in product mix and competitors' pricing. These quarterly fluctuations could have an adverse effect on both our operating results and the price of our common stock.

***The current credit crisis and related turmoil in the global financial system has had and may continue to have an impact on our business and our financial condition.*** For example, in September 2008, Lehman, a guarantor under our Installment Notes, filed for bankruptcy. As a result, in the third quarter we recorded an impairment charge of $735.8 million on the Lehman Guaranteed Installment Note, which reduced net income by $449.5 million. (See Note 4. Timber Notes Receivable for more information regarding the Lehman bankruptcy.) The credit crisis could have additional impact on our business and financial condition if Wachovia Corporation, the other timber notes guarantor, was unable to perform its obligations under the Installment Notes or if parties to our Loan Agreement are forced to file for bankruptcy or are otherwise unable to perform their obligations.

In addition to the impact that the global financial crisis has already had on us, we may face significant challenges if conditions in the financial markets do not improve or continue to worsen. For example, the impact of the credit crisis on our customers could adversely impact the overall demand for our products and services, which would have a negative effect on our revenues, as well as impact our customers' ability to pay their obligations, which could have a negative effect on our bad debt expense and cash flows. In addition, our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so, which could have an impact on our flexibility to react to changing economic and business conditions, including reduced availability in our Loan Agreement due to lower sales.

***We may be unable to attract and retain qualified associates.*** We attempt to attract and retain an appropriate level of personnel in both field operations and corporate functions. As a retailer, we face the challenge of filling many positions at lower wage scales which are appropriate for our industry and in light of competitive factors. As a result, we face many external risks and internal factors in meeting our labor needs, including competition for qualified personnel, overall unemployment levels, prevailing wage rates, as well as rising employee benefit costs, including insurance costs and compensation programs. Changes in any of these factors, including especially a shortage of available workforce in the areas in which we operate, could interfere with our ability to adequately provide services to customers and result in increasing our labor costs, which could have an adverse effect on our business and results of our operations.

***Our expanded offering of proprietary branded products may not improve our financial performance and may expose us to product liability claims.*** Our product offering includes many proprietary branded products. While we have focused on the quality of our proprietary branded products, we rely on third-party manufacturers for these products. Such third party manufacturers may prove to be unreliable, the quality of our globally sourced products may not meet our expectations or such products may not meet applicable regulatory requirements. Furthermore, economic and political conditions in areas of the world where we source such products may adversely affect the availability and cost of such products. In addition, our proprietary branded products compete with other manufacturers' branded items that we offer. As we continue to increase the number and types of proprietary branded products that we sell, we may adversely affect our relationships with our vendors, who may decide to reduce their product offerings through OfficeMax and increase their product offerings through our competitors. Finally, if any of our customers are harmed by our proprietary branded products, they may bring product liability and other claims against us. Any of these circumstances could have an adverse effect on our business and financial performance.

***We are more leveraged than some of our competitors, which could adversely affect our business plans.*** A relatively greater portion of our cash flow is used to service debt and other financial obligations including leases. This reduces the funds we have available for working capital, capital expenditures, acquisitions, new stores, store remodels and other purposes. Similarly, our relatively greater leverage increases our vulnerability to, and limits our flexibility in planning for, adverse economic and industry conditions and creates other competitive disadvantages compared with other companies with relatively less leverage.

***Fluctuations in our effective tax rate may adversely affect our business and results of operations.*** We are a multi-national, multi-channel provider of office products and services. As a result, our effective tax rate is derived from a combination of applicable tax rates in the various countries, states and other jurisdictions in which we operate. Our effective tax rate may be lower or higher than our tax rates have been in the past due to numerous factors, including the sources of our income, any agreements we may have with taxing authorities in various jurisdictions, and the tax filing positions we take in various jurisdictions. We base our estimate of an effective tax rate at any given point in time upon a calculated mix of the tax rates applicable to our company and to estimates of the amount of business likely to be done in any given jurisdiction. The loss of one or more agreements with taxing jurisdictions, a change in the mix of our business from year to year and from country to country, changes in rules related to accounting for income taxes, changes in tax laws in any of the multiple jurisdictions in which we operate or adverse outcomes from tax audits that we may be subject to in any of the jurisdictions in which we operate could result in an unfavorable change in our effective tax rate. This unfavorable change could have an adverse effect on our business and results of our operations.

***Compromises of our information security may adversely affect our business.*** Through our sales and marketing activities, we collect and store certain personal information that our customers provide to purchase products or services, enroll in promotional programs, register on our website, or otherwise

communicate and interact with us. We also gather and retain information about our associates in the normal course of business. We may share information about such persons with vendors that assist with certain aspects of our business. Despite instituted safeguards for the protection of such information, we cannot be certain that all of our systems are entirely free from vulnerability to attack. Computer hackers may attempt to penetrate our or our vendors' network security and, if successful, misappropriate confidential customer or business information. In addition, a Company employee, contractor or other third party with whom we do business may attempt to circumvent our security measures in order to obtain such information or inadvertently cause a breach involving such information. Loss of customer or business information could disrupt our operations and expose us to claims from customers, financial institutions, payment card associations and other persons, which could have a material adverse effect on our business, financial condition and results of operations.

***We cannot ensure new systems and technology will be implemented successfully.*** Our acquisition of OfficeMax, Inc., in December 2003, required the integration and coordination of our existing contract stationer systems with the retail systems of the acquired company. Integrating and coordinating these systems has been complex and still requires a number of system enhancements and conversions that, if not done properly, could divert the attention of our workforce during development and implementation and constrain for some time our ability to provide the level of service our customers demand. Also, when implemented, the systems and technology enhancements may not provide the benefits anticipated and could add costs and complications to our ongoing operations. A failure to effectively implement changes to these systems or to realize the intended efficiencies could have an adverse effect on our business and results of our operations.

***We retained responsibility for certain liabilities of the sold paper, forest products and timberland businesses.*** These obligations include liabilities related to environmental, health and safety, tax, litigation and employee benefit matters. Some of these retained liabilities could turn out to be significant, which could have an adverse effect on our results of operations. Our exposure to these liabilities could harm our ability to compete with other office products distributors, who would not typically be subject to similar liabilities.

***Our business may be adversely affected by the actions of and risks associated with our third-party vendors.*** We are a reseller of other manufacturers' branded items and are therefore dependent on the availability and pricing of key products including ink, toner, paper and technology products. As a reseller, we cannot control the supply, design, function or cost of many of the products we offer for sale. Disruptions in the availability of these products may adversely affect our sales and result in customer dissatisfaction. Many of our vendors are small or medium sized businesses which are being significantly impacted by current macroeconomic conditions, both in the U.S. and Asia, including little or no access to credit. We may have no warning before a vendor fails, which may have an adverse effect on our business and results of operations. Further, we cannot control the cost of manufacturers' products and cost increases must either be passed along to our customers or will result in erosion of our earnings. Failure to identify desirable products and make them available to our customers when desired and at attractive prices could have an adverse effect on our business and results of operations.

***Our investment in Boise Cascade, L.L.C. subjects us to the risks associated with the paper and forest products industry.*** When we sold our paper, forest products and timberland assets, we purchased an equity interest in affiliates of Boise Cascade, L.L.C. Through our investment in Boise Cascade, L.L.C., we also hold an indirect interest in Boise Inc., the former paper manufacturing business of Boise Cascade, L.L.C. This continuing interest in Boise Cascade, L.L.C. subjects us to market risks associated with the paper and forest products industry. These industries are subject to cyclical market pressures. Historical prices for products have been volatile, and industry participants have limited influence over the timing and extent of price changes. The relationship between supply and demand in these industries significantly affects product pricing. Demand for building products is driven mainly by factors such as

new construction and remodeling rates, business and consumer credit availability, interest rates and weather. The recent falloff in U.S. housing starts has resulted in lower building products shipments and prices. The supply of paper and building products fluctuates based on manufacturing capacity. Excess manufacturing capacity, both domestically and abroad, can result in significant variations in product prices. Our ability to realize the carrying value of our equity interest in affiliates of Boise Cascade, L.L.C. is dependent upon many factors, including the operating performance of Boise Cascade, L.L.C. and Boise Inc. and other market factors that may not be specific to Boise Cascade, L.L.C. or Boise Inc., due in part to the fact that there is not a liquid market for our equity interest. Our exposure to these risks could decrease our ability to compete effectively with our competitors, who typically are not subject to such risks.

***Our obligation to purchase paper from Boise Inc. concentrates our supply of an important product primarily with a single supplier.*** When we sold our paper, forest products and timberland assets, we agreed to purchase substantially all of our requirements of paper for resale from Boise Cascade, L.L.C., or its affiliates or assigns, on a long term basis. The price we pay for this paper is market based and therefore subject to fluctuations in the supply and demand for the products. Our purchase obligation limits our ability to take advantage of spot purchase opportunities and exposes us to potential interruptions in supply, which could impact our ability to compete effectively with our competitors, who would not typically be restricted in this way.

***We have substantial business operations in states in which the regulatory environment is particularly challenging.*** Our operations in California and other heavily regulated states expose us to a particularly challenging regulatory environment, including, without limitation, consumer protection laws, advertising regulations, and employment and wage and hour regulations. This regulatory environment requires the Company to maintain a heightened compliance effort and exposes us to defense costs, possible fines and penalties, and liability to private parties for monetary recoveries and attorneys' fees, any of which could have an adverse effect on our business and results of operations.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Information concerning our stock repurchases during the three months ended September 27, 2008 is below. All stock was withheld to satisfy our tax withholding obligations upon vesting of restricted stock awards.

| Period | Total Number of Shares (or Units) Purchased | Average Price Paid Per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| June 29, 2008–July 26, 2008 | 17 | $ 14.35 | — | — |
| July 27–August 23, 2008 | 47 | 12.61 | — | — |
| August 24–September 27, 2008 | 5,169 | 11.47 | — | — |
| **Total** | 5,233 | $ 11.49 | — | — |

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

## ITEM 5. OTHER INFORMATION

None

## ITEM 6. EXHIBITS

Required exhibits are listed in the Index to Exhibits and are incorporated by reference.

**SIGNATURES**

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

OFFICEMAX INCORPORATED

/s/ DEBORAH A. O'CONNOR

Deborah A. O'Connor
*Senior Vice President and Chief Accounting Officer*
*(As Duly Authorized Officer and Principal Financial Officer)*

Date: November 6, 2008

**OFFICEMAX INCORPORATED**
**INDEX TO EXHIBITS**

Filed With the Quarterly Report on Form 10-Q for the Quarter Ended September 27, 2008

| Number | Description |
|---|---|
| 3.1(1) | Restated Certificate of Incorporation, as amended and restated to date |
| 3.2(2) | Bylaws, as amended April 23, 2008 |
| 10.1(3) | Form of 2008 Director Restricted Stock Unit Award Agreement. |
| 10.2(4) | Indenture dated as of December 21, 2004 by and between OMX Timber Finance Investments II, LLC, as the Issuer and Wells Fargo Bank Northwest, N.A., as Trustee. |
| 10.3*(5) | Form of Amendment to OfficeMax Incorporated 2007 Restricted Stock Unit Award Agreement granted to Sam Martin. |
| 10.4*(5) | Executive Officer Severance Pay Policy |
| 10.5*(5) | Form of Executive Officer Change in Control Severance Agreement |
| 10.6*(5) | Amendment to OfficeMax Incorporated 2005 Directors Deferred Compensation Plan |
| 10.7*(5) | Form of Amendment to Employment Agreement between OfficeMax Incorporated and Sam Duncan |
| 10.8*(5) | Form of Amendment to OfficeMax Incorporated 2005 Restricted Stock Unit Award Agreements granted to Sam Duncan |
| 31.1* | CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2* | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32* | Section 906 Certifications of Chief Executive Officer and Principal Financial Officer of OfficeMax Incorporated |

* Filed with this Form 10-Q.

(1) Exhibit 3.1 was filed under the same exhibit number in our Current Report on Form 8-K dated May 1, 2007, and is incorporated herein by reference.

(2) Exhibit 3.2 was filed under exhibit number 3.2 in our Current Report on Form 8-K dated April 29, 2008, and is incorporated herein by reference.

(3) Exhibit 10.1 was filed under exhibit number 99.2 in our Current Report on Form 8-K dated July 29, 2008, and is incorporated herein by reference.

(4) Exhibit 10.2 was filed under exhibit number 99.1 in our Current Report on Form 8-K dated September 22, 2008, and is incorporated herein by reference.

(5) These amendments were intended solely to cause the subject document to comply with Section 409A of the Internal Revenue Code of 1986, as amended.

QuickLinks

TABLE OF CONTENTS
PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OfficeMax Incorporated and Subsidiaries Consolidated Statements of Income (Loss) (thousands, except per-share amounts)
OfficeMax Incorporated and Subsidiaries Consolidated Statements of Income (Loss) (thousands, except per-share amounts)
OfficeMax Incorporated and Subsidiaries Consolidated Balance Sheets (thousands, except share and per-share amounts)
OfficeMax Incorporated and Subsidiaries Consolidated Balance Sheets (thousands, except share and per-share amounts)
OfficeMax Incorporated and Subsidiaries Consolidated Statements of Cash Flows (thousands)
Notes to Quarterly Consolidated Financial Statements (Unaudited)

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
ITEM 4. CONTROLS AND PROCEDURES

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS
ITEM 1A. RISK FACTORS
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
ITEM 3. DEFAULTS UPON SENIOR SECURITIES.
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.
ITEM 5. OTHER INFORMATION
ITEM 6. EXHIBITS

SIGNATURES

**Exhibit 10.3**

**Form of**

**AMENDMENT TO**
**OFFICEMAX INCORPORATED**
**2007 Restricted Stock Unit Award Agreement**

**WHEREAS,** OfficeMax Incorporated (the "Company") granted Sam Martin ("Awardee") a Restricted Stock Unit Award (the "Award") on September 17, 2007, pursuant to the 2003 OfficeMax Incentive and Performance Plan; and

**WHEREAS,** the Company and Awardee desire to amend the Award in order to comply with Internal Revenue Code Section 409A.

**NOW, THEREFORE,** the Award is hereby amended, effective January 1, 2009, to read as follows:

1. Section 4 is amended by adding three sentences at the end thereof to read as follows:

"Notwithstanding the foregoing, to the extent any amount is payable because the continuing entity does not continue or replace the Award and such amount constitutes deferred compensation subject to Code Section 409A, the definition of "Change in Control" provided in Appendix A shall apply. Payment shall be made as soon as practical but in no event later than March 15 of the year following the year in which the Change in Control or Qualifying Termination (as applicable) occurred. However, if you are a "specified employee," as determined pursuant to Code Section 409A and regulations issued thereunder, to the extent amounts are (i) payable to you upon a Qualifying Termination and (ii) such amounts are subject to Code Section 409A, payment shall be made on the first day following the six month anniversary of your termination of employment."

2. The Award is amended by adding an Appendix A at the end thereof to read as follows:

**"APPENDIX A**

To the extent any amount payable under this Award constitutes deferred compensation subject to Code Section 409A, the following definition of "Change in Control" shall apply:

**1. Change in Control.** A "Change in Control" means, with respect to OfficeMax or Subsidiary, the occurrence of any one of the following dates, interpreted consistent with Treasury Regulation Section 1.409A-3(i)(5).

a. Change in Ownership. The date any one Person, or more than one Person Acting as a Group, acquires ownership of stock of OfficeMax or Subsidiary that, together with stock held by such Person or Group, constitutes more than 50% of the total fair market value or total voting power of the stock of OfficeMax or Subsidiary, as the case may be. Notwithstanding the foregoing, for purposes of this paragraph, if any one Person, or more than one Person Acting as a Group, is considered to own more than 50% of the total fair market value or total voting power of the stock of OfficeMax or Subsidiary, as the case may be, the acquisition of additional stock by the same Person or Persons is not considered to cause a Change in Control.

b. Change in Effective Control.

i. The date any one Person, or more than one Person Acting as a Group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons) ownership of stock of OfficeMax or Subsidiary possessing 30% or more of the total voting power of the stock of OfficeMax or Subsidiary, as the case may be. Notwithstanding the foregoing, for purposes of this subparagraph, if any one Person, or more than one Person Acting as a Group, is considered to effectively control OfficeMax or Subsidiary, as the case may be, the acquisition of additional control of OfficeMax or Subsidiary, as the case may be, by the same Person or Persons is not considered to cause a Change in Control; or

ii. The date a majority of the members of OfficeMax's Board is replaced during any one year period by directors whose appointment or election is not endorsed by a majority of the members of OfficeMax's Board before the date of the appointment or election.

c. Change in Ownership of a Substantial Portion of OfficeMax's or Subsidiary's Assets. The date any one Person, or more than one Person Acting as a Group, acquires (or has acquired during the one year period ending on the date of the most recent acquisition by such Person or Persons) assets from OfficeMax or Subsidiary that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of OfficeMax or Subsidiary, as the case may be, immediately before such acquisition or acquisitions. For purposes of this paragraph (c), "gross fair market value" means the value of the assets of OfficeMax or Subsidiary, as the case may be, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets is not treated as a Change in Control if the assets are transferred to:

i. An entity that is controlled by the shareholders of the transferring corporation;

ii. A shareholder of OfficeMax or Subsidiary, as the case may be, (immediately before the asset transfer) in exchange for or with respect to its stock;

iii. An entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by OfficeMax or Subsidiary, as the case may be;

iv. A Person, or more than one Person Acting as a Group, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of OfficeMax or Subsidiary, as the case may be; or

v. An entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person described in clause iv.

2. **Definitions of "Person" and "Acting as a Group."** For purposes of this Appendix, "Person" shall have the meaning set forth in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). For purposes of this Appendix, Persons shall be considered to be "Acting as a Group" if they are owners of a corporation that enter into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with OfficeMax or Subsidiary. If a Person, including an entity, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be Acting as a Group with the other shareholders only with respect to the ownership in that corporation before the transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Notwithstanding the foregoing, Persons shall not be considered to be Acting as a Group solely because they purchase or own stock of the same corporation at the same time, or as a result of the same public offering."

**IN WITNESS WHEREOF**, the Company and Awardee have caused this Amendment to be executed on this day of , 2008.

| **OfficeMax Incorporated** | **Awardee** |
| --- | --- |
| By: ____________________ | ____________________ |
| | Sam Martin |
| Its: ____________________ | |

**Exhibit 10.4**

EXECUTIVE OFFICER SEVERANCE PAY POLICY
(Amended and Restated Effective January 1, 2009)

**Eligibility**

This Policy applies to any officer holding the title of vice president or above as of his/her date of termination of employment. Any such officer who is terminated involuntarily for any reason other than a Disciplinary Reason ("Eligible Officer") shall be eligible for benefits under this Policy.

The Company will have no obligation to provide any benefits under this Policy unless and until the Eligible Officer executes and delivers to the Company a General Waiver and Release of Claims ("Release") in a form satisfactory to the Company. Nothing in this Policy alters the at-will employment relationship between any Eligible Officer and the Company.

The Company shall have the authority and discretion to interpret and construe these eligibility provisions, and the Company's determinations as to eligibility shall be made in its sole and absolute discretion.

This Policy shall constitute an "employee welfare benefit plan" within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). This Policy shall constitute a "top hat" plan that only covers a select group of management or highly compensated employees.

**Severance Pay**

Subject to the eligibility requirements of this Policy, an Eligible Officer will be entitled to receive severance pay equal to one year's base salary at his/her current base salary in effect as of his/her date of termination ("Separation Date"). The amount due, if any, will be reduced by any salary received during the period of time after the Eligible Officer is notified of the termination of his/her employment and the commencement of severance pay under this Policy.

Subject to execution of the Release and the expiration of the revocation period thereunder, the Company shall make severance payments in equal installments beginning within 60 days of the Eligible Officer's Separation Date and continuing according to the Company's normal payroll schedule, provided that all benefit payments to an Eligible Officer must be completed within 24 months following the Eligible Officer's Separation Date. In the event that the revocation period under the Release has not expired prior to the 60th day after the Eligible Officer's Separation Date, such Eligible Officer's severance pay under this Policy shall be forfeited.

Notwithstanding the preceding paragraph, if an Eligible Officer is a "specified employee," as defined in Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations issued thereunder, the following rules shall apply:

1. For purposes of applying the exception to Code Section 409A for short-term deferrals, each installment shall be treated as a separate "payment" for purposes of Code Section 409A. Accordingly, any benefits paid within 2 ½ months of the end of the taxable year containing the Separation Date shall be exempt from Code Section 409A and paid in accordance with the first sentence of the paragraph above.

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2. To the extent benefits are not exempt from Code Section 409A under subparagraph (1) above, if the Eligible Officer's severance pay benefit otherwise payable in the first 6 months following the Separation Date is equal to or less than two times the lesser of the amounts described in Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(1) and (2), such severance benefit shall be exempt from Code Section 409A and paid in accordance with the first sentence of the paragraph above.

3. To the extent a portion of the Eligible Officer's severance pay benefit is not exempt from Code Section 409A pursuant to subparagraphs (1) and (2) above, such remaining severance pay benefit will not be paid to the Eligible Officer until the first payroll date of the 7th month following the Separation Date. Any deferred payments will be paid in a lump sum and shall be equal to the portion of the severance pay benefit that exceeds the Code Section 409A limit. Thereafter, the remainder of the Eligible Officer's severance pay benefit shall be payable in installments according to the Company's normal payroll schedule.

In the event of an Eligible Officer's death after his Separation Date but before he receives all benefits to which he otherwise would be entitled under this Policy, payment of his benefits shall be made to his designated beneficiary (or estate if no beneficiary has been designated) in a lump sum.

The Company may also, at its sole discretion, continue health/vision/dental group insurance coverages at the associate rate during the COBRA period on behalf of the terminated executive officer for up to 12 months following his/her Separation Date.

Any payments required to meet the Worker Adjustment Retraining and Notification Act (WARN) and/or any state legal notification requirements may be subtracted from the severance pay which would otherwise be due under this Policy.

**Exclusions**

Notwithstanding anything in this policy to the contrary, an officer is not eligible for benefits under this Policy under the following circumstances:

- If the officer resigns for any reason.

- If the officer's employment is terminated for a Disciplinary Reason.

  If the officer's employment is not terminated involuntarily by the Company. A transfer or other relocation of an officer's place of work is not a termination under this Policy if the officer continues employment with OfficeMax or, if not, the transfer or relocation offered is to a site within a reasonable distance of the officer's immediately prior work site.

· Mandatory retirement pursuant to the Company's Executive Officer Mandatory Retirement Policy will not be deemed an involuntary termination of employment for purposes of benefits under this Policy.

By his/her acceptance of severance benefits under this Policy, an Eligible Officer thereby waives his/her right to receive any other severance pay or salary continuation severance benefits under any other Company plan or program or arrangement with the Company.



Any obligation of the Company to provide severance pay and/or other benefits pursuant to this Policy shall immediately terminate if it is determined by the Company that the Eligible Officer has breached any obligation under his/her General Waiver and Release of claims and/or any obligation to the Company, including but not limited to obligations under a Nondisclosure and Non-Competition Agreement or Sign-on Award Agreement, or if the Eligible Officer is offered another position with OfficeMax that is reasonably consistent with his/ her education, training, prior compensation and previous experience and is located within a reasonable distance from his/her prior worksite.

**Definition of Disciplinary Reason**

For the purpose of this Policy, "Disciplinary Reason" includes documented unacceptable job performance where at least two corrective action notices have been issued to the Eligible Officer in the twelve months preceding the termination of employment (corrective action notices to persons holding the title of Vice President or above shall be issued only after consultation with the senior-most Human Resources Executive Officer of the Company) and misconduct, including but not limited to refusal to obey instructions which are issued by a superior in the normal course of business; gross negligence; willful failure to perform the job in a satisfactory manner; reckless disregard for or knowing violation of any Company policy, work rule, or procedure; theft of Company or another associate's property; an act of embezzlement, fraud, or like violation of law; wrongful engagement in any activity that would breach the duty of loyalty to the Company; wrongful disclosure of confidential information of the Company; or a violation of the Company's Code of Ethics.

**Plan Administration and Interpretation**

The senior-most Human Resources Executive Officer of the Company is the Plan Administrator for purposes of Section 3(16) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan Administrator shall have the sole authority in the exercise of his/her discretion to interpret, apply, and administer the terms of the Plan and to determine eligibility for benefits of the Plan and the amount of any benefits under the Plan, and his/her determination of any such matters shall be final and binding. Benefits under the Plan will be paid only if the Plan Administrator determines in his/her discretion that a participant or beneficiary is entitled to them. The Plan Administrator may designate one or more individuals to carry out his/her functions as Plan Administrator.

**Claims Procedure**

Severance benefits will be provided to each participant as provided in the Plan. If a participant believes that he/she has not been provided with the severance benefits to which he/she is entitled under the Plan, then the participant may file a request for review within 90 days after the date he/she should have received such benefits under the Plan. The request for review must be submitted to the Plan Administrator. The Plan Administrator will respond to the request for review within 90 days after it is received setting forth, in writing, the reasons for its determination. If the participant's request for review is denied, the participant may, within 60 days after receiving written notice of such denial, file an appeal to the General Counsel of the Company, setting forth the reason why the participant disagrees with the initial determination. The General Counsel shall respond to this request for reconsideration within 60 days after it is received setting forth, in writing, the reasons for its determination. If the participant subsequently wishes to file a claim against the Plan, any legal action must be filed within 90 days after the General Counsel's final decision. No action at law or in equity shall be brought to



recover benefits under this Plan until the claims procedure rights herein provided have been exercised and the Plan benefits requested in such claims process have been finally denied in whole or in part.

**Plan Termination and Amendment**

The Company reserves the right to amend, modify, or terminate the Plan at any time, in its sole discretion, without prior notice to participants. Any such amendment or termination shall be made by the Board of Directors of the Company or by action of a person or persons duly authorized by such Board. All participants shall receive any benefits to which they have become entitled under the Plan on or before the date the Plan terminates.

**Exhibit 10.5**

CONFIDENTIAL

(Date)

[ ]

Dear [ ]:

OfficeMax Incorporated (the "Company") is amending and restating the terms of your letter agreement dated (the "Agreement") which provides you with severance benefits if your employment with the Company is terminated before or after a "change in control of the Company" (as defined in Section 2 of the Agreement). Agreement terms are being amended solely to comply with Section 409A of the Internal Revenue Code of 1986, as amended, with such changes effective January 1, 2009. As you may know, Section 409A subjects non-qualified deferred compensation, including certain severance benefits, to various rules and restrictions. On and after the execution of the amended and restated Agreement, it shall be known as the Agreement. The Agreement terms are as follows:

1. Term of Agreement. This Agreement is effective as of January 1, 2009 and shall continue in effect through ; provided that, on each January 1, the term of this Agreement shall automatically be extended so as to terminate on the 2nd anniversary of such date, unless, not later than September 30 of the preceding year, the Company shall have given notice not to extend this Agreement. However, if a change in control of the Company occurs during the term of this Agreement, this Agreement shall continue in effect for a period of 24 months after the month in which the change in control of the Company occurred.

2. Change in Control.

A. A "change in control of the Company" shall be deemed to have occurred if an event set forth in any one of the following paragraphs occurs:

(1) Any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities; provided, however, if such Person acquires securities directly from the Company, such securities shall not be included unless such Person acquires additional securities which, when added to the securities acquired directly from the Company, exceed 25% of the Company's then outstanding shares of common stock or the combined voting power of the Company's then outstanding securities; and provided further that any acquisition of securities by



any Person in connection with a transaction described in Subsection 2.A(3)(i) of this Agreement shall not be deemed to be a change in control of the Company; or

(2) The individuals who, on any date following the date hereof, constitute the Board (the "Incumbent Board Members"), cease, in any two year period following such date, to represent at least a majority of the number of directors then serving, provided, however, that any new director whose appointment or election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least 2/3rds of the Incumbent Board Members shall be deemed for purposes hereof to be Incumbent Board Members, unless such director's initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company; or

(3) The consummation of a merger or consolidation of the Company (or any direct or indirect subsidiary of the Company) with any other corporation other than (i) a merger or consolidation which would result in both (a) Incumbent Board Members continuing to constitute at least a majority of the number of directors of the combined entity immediately following consummation of such merger or consolidation, and (b) the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected with the approval of the Board to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities; provided that securities acquired directly from the Company shall not be included unless the Person acquires additional securities which, when added to the securities acquired directly from the Company, exceed 25 % of the Company's then outstanding shares of common stock or the combined voting power of the Company's then outstanding securities; and provided further that any acquisition of securities by any Person in connection with a transaction described in Subsection 2.A(3)(i) of this Agreement shall not be deemed to be a change in control of the Company; or

(4) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or the consummation of an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, more than 50% of the combined voting power of the voting securities of which are owned by Persons in



substantially the same proportions as their ownership of the Company immediately prior to such sale.

A transaction described in Section 2.A(3) which is not a change in control of the Company solely due to the operation of Subsection 2.A(3)(i)(a) will nevertheless constitute a change in control of the Company if the Board determines, prior to the consummation of the transaction, that there is not a reasonable assurance that, for at least two years following the consummation of the transaction, at least a majority of the members of the board of directors of the surviving entity or any parent will continue to consist of Continuing Directors and individuals whose election or nomination for election by the shareholders of the surviving entity or any parent would be approved by a vote of at least two-thirds of the Continuing Directors and individuals whose election or nomination for election has previously been so approved.

Notwithstanding the foregoing, any event or transaction which would otherwise constitute a change in control of the Company (a "Transaction") shall not constitute a change in control of the Company for purposes of your benefits under this Agreement if, in connection with the Transaction, you participate as an equity investor in the acquiring entity or any of its affiliates (the "Acquiror"). For purposes of the preceding sentence, you shall not be deemed to have participated as an equity investor in the Acquiror by virtue of (a) obtaining beneficial ownership of any equity interest in the Acquiror as a result of the grant to you of an incentive compensation award under one or more incentive plans of the Acquiror (including but not limited to the conversion in connection with the Transaction of incentive compensation awards of the Company into incentive compensation awards of the Acquiror), on terms and conditions substantially equivalent to those applicable to other executives of the Company immediately prior to the Transaction, after taking into account normal differences attributable to job responsibilities, title, and the like; (b) obtaining beneficial ownership of any equity interest in the Acquiror on terms and conditions substantially equivalent to those obtained in the Transaction by all other stockholders of the Company; or (c) having obtained an incidental equity ownership in the Acquiror prior to and not in anticipation of the Transaction.

B. For purposes of this Agreement, a "potential change in control of the Company" shall be deemed to have occurred if (1) the Company enters into an agreement, the consummation of which would result in the occurrence of a change in control of the Company, (2) the Company or any Person publicly announces an intention to take or to consider taking actions which if consummated would constitute a change in control of the Company; (3) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 9.5% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities, provided that securities acquired directly from the Company shall not be included unless the Person acquires additional securities which, when added to the securities acquired directly from the



Company, exceed 9.5% of the Company's then outstanding shares of common stock (or the combined voting power of the Company's then outstanding securities); or (4) the Board adopts a resolution to the effect that a potential change in control of the Company for purposes of this Agreement has occurred. You agree that, subject to the terms and conditions of this Agreement, in the event of a potential change in control of the Company, you will at the option of the Company remain in the employ of the Company until the earlier of (a) the date which is 6 months from the occurrence of the first potential change in control of the Company, or (b) the date of a change in control of the Company.

C. For purposes of this Agreement, "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

D. For purposes of this Agreement, "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that "Person" shall not include (1) the Company or any of its subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (5) an individual, entity or group that is permitted to and does report its beneficial ownership of securities of the Company on Schedule 13G under the Exchange Act (or any successor schedule), provided that if the individual, entity or group later becomes required to or does report its ownership of Company securities on Schedule 13D under the Exchange Act (or any successor schedule), then the individual, person or group shall be deemed to be a Person for purposes of this Agreement as of the first date on which the individual, person or group becomes required to or does report its ownership on Schedule 13D.

3. Termination and Change in Control. Except as set forth in Sections 6, 7, and 10.A, no benefits shall be payable under this Agreement unless there is a change in control of the Company, your employment is terminated, and your termination is a Qualifying Termination or a Qualifying Early Termination. Your termination is a Qualifying Termination if a change in control of the Company occurs and your employment subsequently terminates during the term of this Agreement, unless your termination is because of your death, by the Company for Cause or Disability, or by you other than for Good Reason. Your termination is a Qualifying Early Termination if a potential change in control of the Company occurs, your employment terminates during the pendency of the potential change in control of the company and during the term of this Agreement, the termination is in contemplation of a change in control of the Company, and an actual change in control of the Company occurs within one year following your termination, unless your termination is because of your death, by the Company for Cause or Disability, or by you other



than for Good Reason. A transfer of your employment from the Company to one of its subsidiaries, from a subsidiary to the Company, or between subsidiaries is not a termination of employment for purposes of this Agreement.

A. Disability. If, as a result of your incapacity due to physical or mental illness or injury, you are absent from your duties with the Company on a full-time basis for 6 consecutive months, and within 30 days after written notice of termination is given you have not returned to the full-time performance of your duties, the Company may terminate your employment for "Disability."

B. Cause. Termination by the Company of your employment for "Cause" means termination upon (1) your willful and continued failure to substantially perform your duties with the Company (other than failure resulting from your incapacity due to physical or mental illness or injury, or actual or anticipated failure resulting from your termination for Good Reason), after a demand for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not substantially performed your duties, or (2) your willful engagement in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise. For purposes of this Section 3.B, no act or failure to act on your part shall be considered "willful" unless done or omitted to be done by you not in good faith and without reasonable belief that your act or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until:

- a resolution is duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses (1) or (2) of this Section 3.B and specifying the particulars of your conduct in detail, and

- a copy of this resolution is delivered to you.

All decisions by the Company regarding termination for Cause must be supported by clear and convincing evidence.

C. Good Reason. "Good Reason" means any of the following, if occurring without your express written consent after a change in control of the Company:

(1) The assignment to you of any duties materially inconsistent with your responsibilities as an Executive Officer of the Company or a



significant adverse alteration in your responsibilities from those in effect immediately prior to the change in control of the Company;

(2) A material reduction by the Company in your annual base salary as in effect on the date of this Agreement (as the same may be increased from time to time), except for across-the-board salary reductions similarly affecting all executives of the Company and all executives of any Person in control of the Company;

(3) A material reduction by the Company in your target annual cash incentive as in effect immediately prior to the change in control of the Company;

(4) The Company's requiring you to be based anywhere located more than 50 miles from the primary office location at which you were based immediately prior to the change in control of the Company, except for required travel on the Company's business to an extent substantially consistent with your business travel obligations as existed immediately prior to the change in control;

(5) Following the change in control of the Company, a material reduction by the Company in aggregate benefits and compensation available to you, including paid time off, welfare benefits, short-term incentives, pension, life insurance, healthcare, and disability plans, as compared to such benefits and compensation available to you immediately prior to the change in control of the Company;

(6) Following the change in control of the Company, a material reduction by the Company in long-term equity incentives available to you as compared to such incentives available to you immediately prior to the change in control of the Company, except for across-the-board long-term equity incentive reductions similarly affecting all executives of the Company and all executives of any Person in control of the Company; or

(7) The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 10.

Notwithstanding the foregoing, the events described in clauses (1) through (7) above shall not constitute Good Reason unless (A) you have delivered a Notice of Termination to the Company according to Sections 3.D. and 11 within 90 days of the occurrence of the event, which notice sets forth in reasonable detail the basis for your claim that Good Reason exists and (B) the Company fails to cure such event or circumstance within the 30 day period following receipt of such Notice of Termination.



For purposes of determining whether a Qualifying Early Termination has occurred, references to a change in control of the Company in this Section 3.C shall be deemed to refer to any potential change in control of the Company pending at the time of the event or circumstance alleged to be Good Reason.

Your right to terminate your employment pursuant to this Section 3.C shall not be affected by your incapacity due to physical or mental illness or injury. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason.

D. Notice of Termination. Any purported termination by the Company or by you shall be communicated by written Notice of Termination to the other party according to Section 11. A "Notice of Termination" must indicate the specific termination provision in this Agreement relied upon and set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the indicated provision.

E. Date of Termination. "Date of Termination" means:

(1) if your employment is terminated for Disability, 30 days after the Notice of Termination is given (provided that you have not returned to the performance of your duties on a full-time basis during that 30-day period);

(2) if your employment is terminated for Cause, for Good Reason, or for any other reason other than Disability or a Qualifying Early Termination, the date specified in the Notice of Termination (which, in the case of a termination for Cause shall not be less than 30 days from the date the Notice of Termination is given, and in the case of a termination for Good Reason shall not be less than 10 days or more than 60 days from the date the Notice of Termination is given);

(3) if your termination is a Qualifying Early Termination, the later of the date determined according to subsection (1) or (2) above, or the date upon which the actual change in control of the Company occurs; or

(4) if a dispute exists regarding the termination, the date on which the dispute is finally determined, either by mutual written agreement of the parties or by a final judgment, order or decree of a court of competent jurisdiction (the time for appeal having expired and no appeal having been perfected), or, if earlier, the last day of the term of this Agreement. This subsection (4) shall apply only if (i) the party receiving the Notice of Termination notifies the other party within 30 days that a dispute exists, (ii) the notice of dispute is made in good faith, and (iii) the party giving the notice of dispute pursues resolution of the dispute with reasonable diligence. While any dispute is pending under this subsection (4), the Company will continue to pay you your full compensation in effect when the Notice of Termination



giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit and insurance plans and programs in which you were participating when the Notice of Termination giving rise to the dispute was given, until the dispute is finally resolved, or if earlier, the last day of the term of this Agreement. Amounts paid under this subsection (4) are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4. Compensation upon Termination for Cause or Other than for Good Reason. If your employment is terminated for Cause or by you other than for Good Reason, the Company shall pay you only your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Company at the time those payments are due, and the Company shall have no further obligations to you under this Agreement.

5. Compensation upon a Qualifying Termination or Qualifying Early Termination. If your employment is terminated pursuant to a Qualifying Termination or Qualifying Early Termination, then you shall be entitled to the benefits provided in this Section 5.

A. The Company will pay you the amounts specified below within fifteen (15) days after the execution of the release required pursuant to Section 8.E and after the expiration of any revocation period provided for in the release has passed. Notwithstanding the foregoing, in no event shall payment be made later than March 15 of the calendar year after the calendar year in which your Date of Termination occurs. If the applicable release revocation period has not expired by March 10 of the calendar year following your Date of Termination, all severance to which you are entitled pursuant to Section 5.A(3) shall be forfeit.

(1) Your full base salary through the Date of Termination (or, in the case of a Qualifying Early Termination, through your last day of employment if such amount has not already been paid) at the rate in effect at the time Notice of Termination is given without regard to any reduction in base salary that would constitute Good Reason (whether or not any reduction is asserted as Good Reason), plus all other amounts to which you are entitled under any compensation plan of the Company at the time those payments are due (in each case, to the extent not already paid); and

(2) To the extent not already paid, a lump sum amount equal to the greater of the value of your unused and accrued time off, less any advanced time off, in accordance with the Company's Your Time Off Policy (or any successor policy) as in effect immediately prior to the change in control of the Company or as in effect on the Date of Termination (or, in the case of a Qualifying Early Termination, as in effect on your last day of employment), whichever is more favorable to you; and



(3) A lump sum severance payment equal to two times the sum of (a) your annual base salary at the rate in effect at the time Notice of Termination is given without regard to any reduction in base salary that would constitute Good Reason (whether or not any reduction is asserted as Good Reason) ("Base Salary"), plus (b) the Target Bonus. For purposes of this paragraph (3), "Target Bonus" means (i) if the Date of Termination occurs prior to March 1, 2008, an amount equal to 80% of your target annual incentive for the year in which the Date of Termination occurs (or, in the case of a Qualifying Early Termination, your last day of employment) without regard to any reduction in the target incentive that would constitute Good Reason (whether or not any reduction is asserted as Good Reason), and (ii) if the Date of Termination occurs on or after March 1, 2008, an amount equal to the average annual incentive earned by you in the three completed years preceding the Date of Termination, provided that in either case, if you have earned fewer than three annual bonuses prior to the Date of Termination, Target Bonus means your target annual incentive for the year in which occurs the Date of Termination (or, in the case of a Qualifying Early Termination, your last day of employment) without regard to any reduction in the target incentive that would constitute Good Reason (whether or not any reduction is asserted as Good Reason).

B. With respect to each benefit listed below, the Company shall, at its sole discretion, comply with either subsection (1) or (2) below:

(1) for a 12-month period following the Date of Termination, maintain, in full force and effect for your continued benefit at substantially the same cost to you as determined immediately prior to your last day of employment, all life (other than the Company's Executive Life Insurance Program, if applicable), disability, accident and healthcare insurance plans, programs, or arrangements, and financial counseling services in which you were participating immediately prior to the change in control of the Company (or in the case of a Qualifying Early Termination, immediately prior to your last day of employment), or, if more favorable to you, the plans, programs, or arrangements in which you were participating immediately prior to the Date of Termination; or

(2) at the time specified in Section 5.A, pay you a lump sum payment equal to 12 times 150% of the sum of (a) the monthly group premium, less the amount of employee contributions, for the life (other than executive life, if applicable), disability, accident and healthcare insurance plans, programs, or arrangements, and (b) the monthly allowance for financial counseling services, in each case in which you were participating immediately prior to the change in control of the Company (or in the case of a Qualifying Early Termination, immediately prior to your last day of employment), or, if more favorable to you, the plans, programs, or arrangements in which you were participating immediately prior to the Date of Termination.

The forfeiture provision specified in Section 5.A. applies to the benefits provided under this Section 5.B.

If the Company chooses to provide the benefits indicated under subsection (1), and your continued participation (or a particular type of coverage) is not possible or becomes impossible under the general terms and provisions of the plans, programs or arrangements, then the Company shall arrange to provide you with benefits, at substantially the same cost to you as determined immediately prior to your last day of employment, which are substantially similar to those which you are entitled to receive under such plans, programs and arrangements.

Notwithstanding the foregoing, the Company shall continue to pay the Company-paid premium under the Company's Executive Life Insurance Program (or a successor plan) for twelve months following the Date of Termination.

For a Qualifying Early Termination, any portion of the period commencing on the day after your last day of employment through and including the Date of Termination during which the Company provides you with benefit continuation or pays the Company-paid premium under the Company's Executive Life Insurance Program (or a successor plan) will apply toward the 12-month payment period required above.

C. You shall not be required to mitigate the amount of any payment provided for in this Section 5 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in Section 5.A be reduced by any compensation earned by you as the result of employment by another employer or by retirement benefits after the Date of Termination, or otherwise, except as specifically provided in Section 5.D. Benefits otherwise receivable by you pursuant to Section 5.B(1) shall be reduced to the extent comparable benefits are actually received by you during the 12-month period following your termination, and you must report any such benefits actually received by you to the Company.

D. If you experience a Qualifying Termination or a Qualifying Early Termination that entitles you to benefits under this Agreement, and your termination also entitles you to benefits under the offer letter between you and OfficeMax as amended by letter dated February 22, 2005 (the "Offer Letter"), then benefits otherwise receivable by you pursuant to Section 5.A shall be offset by amounts to which you are entitled under the Offer Letter.

E. Code Section 409A Provision. Notwithstanding anything in this Agreement to the contrary, in all cases, if you are a "specified employee" of the Company for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") at the time of your separation from service (as determined pursuant to Code Section 409A) with the Company and if an exception under Code Section 409A does not apply, any severance payment(s) that are otherwise



scheduled to commence to you immediately after your separation from service will be delayed in their entirety by 6 months from the date of your separation from service. On the first regularly scheduled payroll date following the 6-month anniversary of the date of your separation from service, the Company will pay you a lump sum payment equal to the severance payment(s) that you would otherwise have received through such payroll date, and the balance of the benefit payments to which you are entitled under this Section 5 will be paid thereafter on the original schedule. The Company believes such delay in payment will avoid the application of adverse taxation to you under Code Section 409A. However, the Company does not guarantee such tax treatment and you are strongly encouraged to consult your own tax, financial and legal advisors regarding the effects of this Agreement on your personal tax situation.

6. Legal Fees. The Company shall pay to you all reasonable legal fees and expenses which you incur following a change in control of the Company (a) as a result of contesting or disputing your termination, (b) in seeking in good faith to obtain or enforce any right or benefit provided by this Agreement (provided, in the case of clauses (a) and (b) that you shall refund all such fees and expenses to the Company should you not substantially prevail in the applicable proceeding), or (c) in connection with any tax audit or proceeding to the extent applicable to the application of Section 4999 of the Internal Revenue Code of 1986 as amended, to any payment or benefit provided under this Agreement. This payment shall be made within 10 business days after the Company receives your written request for payment accompanied by reasonable evidence of fees and expenses incurred.

7. Excise Tax Provisions.

A. Notwithstanding any provision of this Agreement to the contrary (but except as provided in the following sentence), if you would receive payments under this Agreement or under any other plan, program, or policy sponsored by the Company which relate to a change in control of the Company (the "Total Payments") and which are determined by the Company to be subject to excise tax under Section 4999 of the Code (the "Excise Tax"); then the Company shall pay to you an additional amount (the "Gross-up Payment") such that the net amount retained by you, after deduction of any Excise Tax on the Total Payments and any federal, state and local income taxes, employment taxes and Excise Tax upon the Gross-up Payment, shall be equal to the Total Payments. Notwithstanding the preceding sentence, if it shall be determined that the Total Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to you such that the receipt of Total Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to you, and the portion of the Total Payments that are payable hereunder shall be reduced such that the Total Payments equal the Reduced Amount. The reduction of the amounts payable hereunder shall be made in consultation with you and in such a manner as to maximize the value of all Total Payments actually made you.



B. For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (1) all of the Total Payments shall be treated as "parachute payments" (within the meaning of Section 280G(b)(2) of the Code) unless, in the Company's opinion, the payments or benefits (in whole or in part) do not constitute parachute payments, including by reason of Section 280G(b)(4)(A) of the Code, and (2) all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the Company's opinion, the excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the base amount allocable to such reasonable compensation, or are otherwise not subject to the Excise Tax. For purposes of determining the amount of the Gross-up Payment, you will be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross-up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of state and local taxes.

C. The Company will pay you the amount of the Gross-up Payment as soon as the amount can be determined, but in no event later than the 30th day after the Date of Termination. At the time that payments are made under this Agreement, the Company shall provide you with a written statement setting forth the manner in which the payments were calculated and the basis for the calculations including, without limitation, any opinions or other advice the Company has received from its tax counsel, its auditor, or other advisors or consultants (and any opinions or advice which are in writing shall be attached to the statement).

D. If the Excise Tax is finally determined to be less than the amount taken into account in calculating the Gross-up Payment, you shall repay to the Company, within 5 business days following the time that the amount of the reduction in Excise Tax is finally determined, the portion of the Gross-up Payment attributable to the reduction (plus that portion of the Gross-up Payment attributable to the Excise Tax and federal, state, and local income and employment taxes imposed on the Gross-up Payment being repaid by you, to the extent that such repayment results in a reduction in the Excise Tax and a dollar-for-dollar reduction in your taxable income and wages for purposes of federal, state, and local income and employment taxes). If the Excise Tax is determined, for any reason, to exceed the amount taken into account in calculating the Gross-up Payment, the Company shall make an additional Gross-up Payment in respect of the excess (including any interest, penalties, or additions payable by you with respect to the Excise Tax) within 5 business days following the time that the amount of the excess is finally determined. In no event shall such payment be made later than December 31 of the year following the year in which the Excise Tax is paid. You and the Company shall reasonably cooperate with



the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments.

8. Employee Covenants; Release.

A. You agree that you will not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of your assigned duties and for the benefit of the Company, either during the period of your employment or at any time thereafter, any nonpublic, proprietary or confidential information, knowledge or data relating to the Company, any of its subsidiaries, affiliated companies or businesses, which you obtained during your employment by the Company. This restriction will not apply to information that (i) was known to the public before its disclosure to you; (ii) becomes known to the public after disclosure to you through no wrongful act of yours; or (iii) you are required to disclose by applicable law, regulation or legal process (provided that you provide the Company with prior notice of the contemplated disclosure and reasonably cooperate with the Company at its expense in seeking a protective order or other appropriate protection of such information).

B. During your employment with the Company and for one year after your termination, you agree that you will not, directly or indirectly, individually or on behalf of any other person, firm, corporation or other entity, knowingly solicit, aid or induce any managerial level employee of the Company or any of its subsidiaries or affiliates to leave employment in order to accept employment with or render services to or with any other person, firm, corporation or other entity unaffiliated with the Company or knowingly take any action to materially assist or aid any other person, firm, corporation or other entity in identifying or hiring any such employee.

C. You agree that during and after your employment with the Company you shall not make any public statements that disparage the Company, its respective affiliates, employees, officers, directors, products or services. Notwithstanding the foregoing, (i) statements made in the course of sworn testimony in administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings) shall not be subject to this Section 8.C, and (ii) nothing in this Section 8.C shall in any way be interpreted to preclude or limit you from pursuing your legal rights or from otherwise communicating with governmental agencies pursuant to legislation or regulations permitting or requiring such communications.

D. For a period of 12 months after your termination of employment with the Company (or for a period of 12 months after a final judgment or injunction enforcing this covenant), you agree not to, directly as an employee or indirectly as a consultant or contractor, without the prior written consent of the Company, be employed in the same or similar capacity as you were employed by the Company



immediately prior to termination of your employment, by another business entity or person engaged in the sale or distribution of office supplies, office furniture, computer consumables or related office products or services in North America.

In agreeing to this restriction, you specifically acknowledge the substantial value to the Company of Confidential Information and your intimate knowledge of the Company’s business and agree that such constitutes goodwill and a protectable interest of the Company.

E. Notwithstanding anything in this Agreement to the contrary, the payment to you of the benefits provided in Section 5 is conditioned upon your execution and delivery to the Company (and your failure to revoke) a customary general release of claims.

9. Deferred Compensation and Benefits Trust. The Company has established a Deferred Compensation and Benefits Trust, and shall comply with the terms of that Trust.

For this purpose, the term Deferred Compensation and Benefits Trust shall mean an irrevocable trust or trusts established or to be established by the Company with an independent trustee or trustees for the benefit of persons entitled to receive payments or benefits, the assets of which nevertheless will be subject to claims of the Company’s creditors in the event of bankruptcy or insolvency.

10. Successors; Binding Agreement.

A. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no succession had taken place. Failure of the Company to obtain an assumption and agreement prior to the effectiveness of any succession which occurs during your employment with the Company and the term of this Agreement shall be a breach of this

Agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled hereunder if you experience a Qualifying Termination or Qualifying Early Termination, except that for purposes of this Section 10.A, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean OfficeMax Incorporated and any successor to its business and/or assets which assumes and agrees to perform this Agreement.

B. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would



still be payable to you under this Agreement if you had continued to live, all such amounts, unless otherwise provided in this Agreement, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or if there is no such designee, to your estate.

C. Any dispute between you and the Company regarding this Agreement may be resolved either by binding arbitration or by judicial proceedings at your sole election, and the Company agrees to be bound by your election in that regard, provided that the Company is entitled to seek equitable relief in a court of competent jurisdiction in connection with the enforcement of the covenants set forth in Section 8. Under no circumstance will a violation or alleged violation of those covenants entitle the Company to withhold or offset a payment or benefit due under this Agreement.

11. Notice. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance with this Section 11, except that notice of change of address shall be effective only upon receipt.

12. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and an officer designated by the Board. No waiver by either party at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Agreement have been made by either party which are not expressly set forth in this Agreement. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to those sections. If the obligations of the Company under Sections 4, 5, 6 and 7 arise prior to the expiration of the term of this Agreement, those obligations shall survive the expiration of the term.

13. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.



15. No Guaranty of Employment. Neither this Agreement nor any action taken under this Agreement shall be construed as giving you a right to be retained as an employee or an executive officer of the Company.

16. Governing Law. This Agreement shall be governed by and construed in accordance with Delaware law.

17. Other Benefits. Any payments made to you pursuant to this Agreement are in addition to, and not in lieu of, any amounts to which you may be entitled under any other employee benefit plan, program or policy of the Company, except that (A) payments made to you pursuant to Section 5.A(3) shall be in lieu of any severance payment to which you would otherwise be entitled under any severance pay policy of the Company and (B) payments and benefits to which you are entitled under this Agreement may be subject to offset by payments and benefits to which you are entitled under the Offer Letter, as specifically provided in this Agreement.

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

OFFICEMAX INCORPORATED

By ______________________________
Name ______________________________
Title ______________________________

Agreed to this [ ] day of [ ], 2008

______________________________
[Name of Officer]

**FIRST AMENDMENT
TO
OFFICEMAX INCORPORATED
2005 DIRECTORS DEFERRED COMPENSATION PLAN**

**WHEREAS,** OfficeMax Incorporated (the "Company") maintains the OfficeMax Incorporated 2005 Directors Deferred Compensation Plan, effective January 1, 2005 (the "Plan"); and

**WHEREAS,** pursuant to Section 7 of the Plan, the Company reserves the right to amend the Plan (provided that such amendment not adversely affect the vested rights or benefits of any participant in the Plan without such participant's consent), acting through its Board of Directors or any committee of the Board of Directors, and now desires to do so in order to comply with Internal Revenue Code Section 409A.

**NOW, THEREFORE,** Section 4.3 of the Plan is hereby amended, effective January 1, 2009, to read as follows:

"4.3 Change of Deferral Election. A Participant who wishes to change an election to defer Compensation may do so at any time by notifying the Committee in writing prior to January 1 of the year for which the change in election is to be effective."

**Exhibit 10.7**

FORM OF AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT to the Employment Agreement by and between OfficeMax Incorporated, a Delaware corporation (the "Company"), and Sam Duncan (the "Executive"), dated April 18, 2005 (the "Agreement") is made as of                    , 2008.

W I T N E S S E T H:

WHEREAS, the Executive is currently employed by Company as Chairman of the Board and Chief Executive Officer;

WHEREAS, Executive and Company originally entered into the Agreement dated April 18, 2005;

WHEREAS, the parties now desire to amend the Agreement solely to comply with Section 409A of the Internal Revenue Code of 1986, as amended, with such changes effective January 1, 2009.

NOW, THEREFORE, it is agreed that the following amendments are effective as of January 1, 2009:

1. Section 4(c) of the Agreement is amended in its entirety to read as follows:

"(c) GOOD REASON.

(i) The Executive may terminate employment for Good Reason or without Good Reason. 'Good Reason' shall mean, without the Executive's consent, (a) a reduction in the Executive's title or the assignment to him of any duties inconsistent in any material respect with his position, authority, duties or responsibilities as contemplated by this Agreement; (b) any material failure by the Company to comply with any of the provisions of this Agreement; (c) a material reduction in the Annual Base Salary (other than in connection with an across the board reduction similarly affecting all of the Company's executive officers); (d) a material reduction in the Executive's target annual incentive award (other than in connection with an across the board reduction affecting all of the Company's executive officers or a reduction due to a demonstrable change in comparable market data) or (d) a delivery by the Company of a notice of non-renewal as contemplated by Section 1.

(ii) A termination of employment by the Executive for Good Reason shall be effectuated by giving the Company written notice ("Notice of Termination for



Good Reason") of the termination within ninety (90) days of the initial existence of the condition, setting forth in reasonable detail the specific conduct of the Company that constitutes Good Reason and the specific provision(s) of this Agreement on which the Executive relies. A termination of employment by the Executive for Good Reason shall be effective thirty (30) days following the date when the Notice of Termination for Good Reason is given, unless the event constituting Good Reason is remedied by the Company.

(iii) A termination of the Executive's employment by the Executive without Good Reason shall be effected by giving the Company 30 days written notice of the termination."

2. A new paragraph (d) is added at the end of Section 5 of the Agreement to read as follows:

"(d) SECTION 409A PROVISION. Notwithstanding anything in this Agreement to the contrary, in all cases, if the Executive is a "specified employee" of the Company for purposes of Section 409A of the Code at the time of his separation from service (as determined pursuant to Section 409A of the Code) with the Company and if an exception under Section 409A of the Code does not apply, any severance payment(s) that are otherwise scheduled to be paid immediately after the Executive's separation from service shall be delayed in their entirety by 6 months from the date of his separation from service. On the first regularly scheduled payroll date following the 6-month anniversary of the date of the Executive's separation from service, the Company shall pay the Executive a lump sum payment equal to the severance payment(s) that he would otherwise have received through such payroll date. The Company believes such delay in payment shall prevent the application of adverse taxation to the Executive under Section 409A of the Code. However, the Company does not guarantee such tax treatment and the Executive is strongly encouraged to consult his own tax, financial and legal advisors regarding the effects of this Agreement on his personal tax situation.

* * *



IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization of its Board, the Company has caused this Amendment to be executed in its name on its behalf, all as of the day and year first above written.

OFFICEMAX INCORPORATED

By: ______________________________
Title:

______________________________
EXECUTIVE

**Exhibit 10.8**

**AMENDMENT TO**
**OFFICEMAX INCORPORATED**
**2005 Restricted Stock Unit Award Agreement**

**WHEREAS,** OfficeMax Incorporated (the "Company") granted Sam Duncan ("Awardee") a Restricted Stock Unit Award (the "Award") on April 18, 2005, pursuant to the 2003 OfficeMax Incentive and Performance Plan; and

**WHEREAS,** the Company and Awardee desire to amend the Award in order to comply with Internal Revenue Code Section 409A.

**NOW, THEREFORE,** the Award is hereby amended, effective January 1, 2009, to read as follows:

1. Section 5 is amended by adding a paragraph at the end thereof to read as follows:

"Payment shall be made as soon as practical but in no event later than March 15 of the year following the year in which the Change in Control or Qualifying Termination (as applicable) occurred. However, if you are a "specified employee," as determined pursuant to Code Section 409A and regulations issued thereunder, to the extent amounts are (i) payable to you upon a Qualifying Termination and (ii) such amounts are subject to Code Section 409A, payment shall be made on the first day following the six month anniversary of your termination of employment.

Notwithstanding the foregoing definition of "Change in Control," to the extent any amount is payable because the continuing entity does not continue or replace the award and such amount constitutes deferred compensation subject to Code Section 409A, the definition of "Change in Control" provided in Appendix A shall apply."

2. The Award is amended by adding an Appendix A at the end thereof to read as follows:

**"<u>APPENDIX A</u>**

To the extent any amount payable under this Award constitutes deferred compensation subject to Code Section 409A, the following definition of "Change in Control" shall apply:

**1. Change in Control.** A "Change in Control" means, with respect to OfficeMax or Subsidiary, the occurrence of any one of the following dates, interpreted consistent with Treasury Regulation Section 1.409A-3(i)(5).

a. <u>Change in Ownership</u>. The date any one Person, or more than one Person Acting as a Group, acquires ownership of stock of OfficeMax or Subsidiary that, together with stock held by such Person or Group, constitutes more than 50% of the total fair market value or total voting power of the stock of OfficeMax or Subsidiary, as the case may be. Notwithstanding the foregoing, for purposes of this paragraph, if any one Person, or more than one Person Acting as a Group, is considered to own more than 50% of the total fair market value or total voting

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power of the stock of OfficeMax or Subsidiary, as the case may be, the acquisition of additional stock by the same Person or Persons is not considered to cause a Change in Control.

b. <u>Change in Effective Control</u>.

i. The date any one Person, or more than one Person Acting as a Group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons) ownership of stock of OfficeMax or Subsidiary possessing 30% or more of the total voting power of the stock of OfficeMax or Subsidiary, as the case may be. Notwithstanding the foregoing, for purposes of this subparagraph, if any one Person, or more than one Person Acting as a Group, is considered to effectively control OfficeMax or Subsidiary, as the case may be, the acquisition of additional control of OfficeMax or Subsidiary, as the case may be, by the same Person or Persons is not considered to cause a Change in Control; or

ii. The date a majority of the members of OfficeMax's Board is replaced during any one year period by directors whose appointment or election is not endorsed by a majority of the members of OfficeMax's Board before the date of the appointment or election.

c. <u>Change in Ownership of a Substantial Portion of OfficeMax's or Subsidiary's Assets</u>. The date any one Person, or more than one Person Acting as a Group, acquires (or has acquired during the one year period ending on the date of the most recent acquisition by such Person or Persons) assets from OfficeMax or Subsidiary that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of OfficeMax or Subsidiary, as the case may be, immediately before such acquisition or acquisitions. For purposes of this paragraph (c), "gross fair market value" means the value of the assets of OfficeMax or Subsidiary, as the case may be, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets is not treated as a Change in Control if the assets are transferred to:

i. An entity that is controlled by the shareholders of the transferring corporation;

ii. A shareholder of OfficeMax or Subsidiary, as the case may be, (immediately before the asset transfer) in exchange for or with respect to its stock;

iii. An entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by OfficeMax or Subsidiary, as the case may be;

iv. A Person, or more than one Person Acting as a Group, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of OfficeMax or Subsidiary, as the case may be; or



v. An entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person described in clause iv.

2. **Definitions of "Person" and "Acting as a Group."** For purposes of this Appendix, "Person" shall have the meaning set forth in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). For purposes of this Appendix, Persons shall be considered to be "Acting as a Group" if they are owners of a corporation that enter into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with OfficeMax or Subsidiary. If a Person, including an entity, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be Acting as a Group with the other shareholders only with respect to the ownership in that corporation before the transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Notwithstanding the foregoing, Persons shall not be considered to be Acting as a Group solely because they purchase or own stock of the same corporation at the same time, or as a result of the same public offering."

**IN WITNESS WHEREOF**, the Company and Awardee have caused this Amendment to be executed on this day of , 2008.

| **OfficeMax Incorporated** | **Awardee** |
|---|---|
| By: ______________________ | ______________________ |
| | Sam Duncan |
| Its: ______________________ | |

**Exhibit 31.1**

**CEO CERTIFICATION PURSUANT TO SECTION 302**
**OF THE SARBANES-OXLEY ACT OF 2002**

I, Sam K. Duncan, chief executive officer of OfficeMax Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-Q of OfficeMax Incorporated;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   d. disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2008

/s/ SAM K. DUNCAN

Sam K. Duncan
*Chief Executive Officer*

QuickLinks

Exhibit 31.1

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Deborah A. O'Connor, principal financial officer of OfficeMax Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-Q of OfficeMax Incorporated;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

    d. disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2008 /s/ DEBORAH A. O'CONNOR

Deborah A. O'Connor
*Chief Accounting Officer (Principal financial officer)*

QuickLinks

Exhibit 31.2

**Exhibit 32**

**SECTION 906 CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER OF OFFICEMAX INCORPORATED**

We are providing this Certificate pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C., Section 1350. It accompanies OfficeMax Incorporated's quarterly report on Form 10-Q for the quarter ended September 27, 2008.

I, Sam K. Duncan, OfficeMax Incorporated's chief executive officer, certify that:

(i) the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, OfficeMax Incorporated's financial condition and results of operations.

/s/ SAM K. DUNCAN

Sam K. Duncan
*Chief Executive Officer*

I, Deborah A. O'Connor, OfficeMax Incorporated's chief accounting officer, certify that:

(i) the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, OfficeMax Incorporated's financial condition and results of operations.

/s/ DEBORAH A. O'CONNOR

Deborah A. O'Connor
*Principal Financial Officer*

Dated: November 6, 2008

A signed original of this written statement required by Section 906 has been provided to OfficeMax Incorporated and will be retained by OfficeMax Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

QuickLinks

Exhibit 32