OFFICEMAX INC
Form 10-K
February 27, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

Annual Report Pursuant to Sections 13 or 15(d)
of the Securities Exchange Act of 1934

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

For the fiscal year ended December 29, 2007

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $2.50 par value	New York Stock Exchange
American & Foreign Power Company Inc. Debentures, 5% Series due 2030	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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 ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. 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 "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ý Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

The aggregate market value of the voting common stock held by nonaffiliates of the registrant, computed by reference to the price at which the common stock was sold as of the close of business on June 30, 2007, was $2,960,672,286. Registrant does not have any nonvoting common equity securities.

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

Class	**Shares Outstanding as of February 22, 2008**
Common Stock, $2.50 par value	75,904,885

Document incorporated by reference

Portions of the registrant's proxy statement relating to its 2008 annual meeting of shareholders to be held on April 23, 2008 ("OfficeMax Incorporated's proxy statement") are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS

As used in this 2007 Annual Report on Form 10-K, the terms "OfficeMax," the "Company," and "we" include OfficeMax Incorporated and its consolidated subsidiaries and predecessors. Our Securities and Exchange Commission ("SEC") filings, which include this Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all related amendments, are available free of charge on our website at www.officemax.com and can be found by clicking on "About us," "Investors" and then "SEC filings." Our SEC filings are available as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Last year, we filed our annual Chief Executive Officer certification dated May 18, 2007 with the New York Stock Exchange. Attached as exhibits to this Form 10-K you will find certifications of our Chief Executive Officer and Chief Financial Officer required under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

General Overview

OfficeMax is a leader in both business-to-business and retail office products distribution. We provide office supplies and paper, print and document services, technology products and solutions and furniture to large, medium and small businesses, government offices, and consumers. OfficeMax customers are served by approximately 36,000 associates through direct sales, catalogs, the Internet and retail stores. Our common stock trades on the New York Stock Exchange under the ticker symbol OMX, and our corporate headquarters is in Naperville, Illinois.

OfficeMax Incorporated (formerly Boise Cascade Corporation) was organized as Boise Payette Lumber Company, a Delaware corporation, in 1931 as a successor to an Idaho corporation formed in 1913. In 1957, the Company's name was changed to Boise Cascade Corporation. On December 9, 2003, Boise Cascade Corporation acquired 100% of the voting securities of OfficeMax, Inc. That acquisition more than doubled the size of our office products distribution business and expanded that business into the U.S. retail channel. In connection with the sale of our paper, forest products and timberland assets described below, the Company's name was changed from Boise Cascade Corporation to OfficeMax Incorporated, and the names of our office products segments were changed from Boise Office Solutions, Contract and Boise Office Solutions, Retail to OfficeMax, Contract and OfficeMax, Retail. The Boise Cascade Corporation and Boise Office Solutions names were used in documents furnished to or filed with the SEC prior to the sale of our paper, forest products and timberland assets.

References made to the OfficeMax, Inc. acquisition and the OfficeMax, Inc. integration in this Form 10-K refer to Boise Cascade Corporation's acquisition of OfficeMax, Inc. in December 2003, and the related integration activities. (For more information about our integration activities, see Note 3, Integration Activities and Facility Closures, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.)

On October 29, 2004, we sold our paper, forest products and timberland assets to affiliates of Boise Cascade, L.L.C., a new company formed by Madison Dearborn Partners LLC (the "Sale"). The Sale did not include our facility near Elma, Washington. (See Note 2, Discontinued Operations, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for more information about the Elma facility.) With the Sale, we completed the Company's transition, begun in the mid-1990s, from a predominately commodity manufacturing-based company to an independent office products distribution company. On October 29, 2004, as part of the Sale, we invested $175 million in the securities of affiliates of Boise

Cascade, L.L.C. This investment represents continuing involvement as defined in Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, we do not show the historical results of the sold paper, forest products and timberland assets as discontinued operations.

We present information pertaining to each of our segments and the geographic areas in which they operate in Note 16, Segment Information, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

Change in Fiscal Year End

Effective March 11, 2005, the Company amended its bylaws to make its fiscal year-end the last Saturday in December. Prior to this change, all of the Company's businesses except for our U.S. retail operations had a December 31 fiscal year-end. The U.S. retail operations maintained a fiscal year that ended on the last Saturday in December. Due primarily to statutory requirements, the Company's international businesses have maintained their December 31 year-ends. Fiscal year 2005 ended on December 31, 2005 for all reportable segments and businesses, and included 53 weeks for the Retail segment. Fiscal year 2006 ended on December 30, 2006 and included 52 weeks for all reportable segments and businesses. Fiscal year 2007 ended on December 29, 2007 and also included 52 weeks for all reportable segments and businesses.

OfficeMax, Contract

We distribute a broad line of items for the office, including office supplies and paper, technology products and solutions and office furniture through our OfficeMax, Contract segment. OfficeMax, Contract sells directly to large corporate and government offices, as well as to small and medium-sized offices in the United States, Canada, Australia and New Zealand. This segment markets and sells through field salespeople, outbound telesales, catalogs, the Internet and, primarily in foreign markets, through office products stores. Substantially all products sold by this segment are purchased from outside manufacturers or from industry wholesalers, except office papers. We purchase office papers primarily from the paper operations of Boise Cascade, L.L.C., under a 12-year paper supply contract entered into at the time of the Sale. (See Note 17, Commitments and Guarantees, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for additional information related to the paper supply contract.)

As of January 26, 2008, OfficeMax Contract operated 51 distribution centers and 6 customer service and outbound telesales centers. OfficeMax, Contract also operated 75 office products stores in Canada, Hawaii, Australia and New Zealand.

OfficeMax, Contract sales for 2007, 2006 and 2005 were $4.8 billion, $4.7 billion and $4.6 billion, respectively.

OfficeMax, Retail

OfficeMax, Retail is a retail distributor of office supplies and paper, print and document services, technology products and solutions and office furniture. Our retail segment has operations in the United States, Puerto Rico and the U.S. Virgin Islands. Our retail office supply stores feature OfficeMax ImPress, an in-store module devoted to print-for-pay and related services. Our retail segment also operates office products stores in Mexico through a 51%-owned joint venture. Substantially all products sold by this segment are purchased from outside manufacturers or from industry wholesalers, except office papers. As described above, we purchase office papers primarily from the paper operations of Boise Cascade, L.L.C., under a 12-year paper supply contract we entered into at the time of the Sale.

As of January 26, 2008, our Retail segment operated 981 stores in the U.S. and Mexico, three large distribution centers in the U.S., and two small distribution centers in Mexico. Each store offers approximately 10,000 stock keeping units (SKUs) of name-brand and OfficeMax private-branded merchandise and a variety of business services targeted at serving the small business customer, including OfficeMax ImPress. As of January 26, 2008, our Retail segment operated six OfficeMax ImPress print on demand facilities with enhanced fulfillment capabilities. These 8,000 square foot operations are located within some of our contract distribution centers, and serve the print and document needs of our large contract customers in addition to supporting our retail stores by providing services that cannot be deployed at every retail store.

OfficeMax, Retail sales for 2007, 2006 and 2005 were $4.3 billion, $4.3 billion and $4.5 billion, respectively.

Competition

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-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, including potential business combinations among competitors, which may afford them greater cost leverage and scale advantages.

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 believe our excellent customer service and the efficiency and convenience for our customers of our combined contract and retail distribution channels gives our OfficeMax, Contract segment a competitive advantage among business-to-business office products distributors. Our ability to network our distribution centers into an integrated system enables us to serve large national accounts that rely on us to deliver consistent products, prices and services to multiple locations as well as medium and small businesses at a competitive cost.

We believe our OfficeMax, Retail segment competes favorably based on the quality of our customer service, our innovative store formats, the breadth and depth of our merchandise offering and our everyday low prices, along with our specialized service offerings, including OfficeMax ImPress.

Inflationary and Seasonal Influences

We believe that neither inflation nor deflation has had a material effect on our financial condition or results of operations; however, there can be no assurance that we will not be affected by inflation or deflation in the future.

The Company's 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.

Environmental Matters

Our discussion of environmental matters is presented under the caption "Environmental" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K. In addition, certain environmental matters are discussed under "Item 3. Legal Proceedings" of this Form 10-K.

Capital Investment

Information concerning our capital expenditures is presented under the caption "Investment Activities" and in the table entitled "2007 Capital Investment by Segment" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

Acquisitions and Divestitures

We engage in acquisition and divestiture discussions with other companies and make acquisitions and divestitures from time to time. It is our policy to review our operations periodically and to dispose of assets that do not meet our criteria for return on investment, or cease to warrant retention for other reasons.

Geographic Areas

Our discussion of financial information by geographic area is presented in Note 16, Segment Information, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

Identification of Executive Officers

Information with respect to our executive officers is set forth in "Item 10. Directors and Executive Officers of the Registrant" of this Form 10-K.

Employees

On December 29, 2007, we had approximately 36,000 employees, including approximately 10,500 part-time employees.

ITEM 1A. RISK FACTORS

Cautionary and Forward-Looking Statements

This Annual Report on Form 10-K 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 "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K. 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-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 significant 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, 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.

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, or the quality of our globally sourced products may not meet our expectations. 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, which 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 manufacturer's 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. Further, we cannot control the cost of manufacturer's 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. In addition, we have an ongoing obligation to purchase paper from an affiliate of Boise Cascade, L.L.C. These continuing interests subject 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, interest rates and weather. The supply of paper and building products fluctuates based on manufacturing capacity, and excess capacity, both domestically and abroad, can result in significant variations in product prices. The level of supply and demand for forest products will affect the price we pay for paper. 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 other market factors that may not be specific to Boise Cascade, L.L.C., 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.

We have substantial business operations in states in which the regulatory environment is particularly challenging. Our operations in California and other similar states expose us to many regulations relating to the conduct of our business, 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 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The majority of OfficeMax facilities are rented under operating leases. (For more information about our operating leases, see Note 7, Leases, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.) Our properties are in good operating condition and are suitable and adequate for the operations for which they are used. We constantly evaluate the real estate market to determine the best locations for new stores. We analyze our existing stores to determine which stores will benefit from being remodeled. We examine each store and market on a case by case basis.

Presented below is a list of our facilities by segment. During 2006, we consolidated our corporate headquarters from Itasca, Illinois, and our retail operations from Shaker Heights, Ohio, to a single headquarters facility located in Naperville, Illinois.

OfficeMax, Contract

As of January 26, 2008, OfficeMax, Contract operated 51 distribution centers in 26 states, Puerto Rico, Canada, Australia and New Zealand. The following table sets forth the locations of these facilities.

Arizona	1	Maryland	1	Tennessee	1
California	2	Massachusetts	1	Texas	2
Colorado	1	Michigan	1	Utah	1
Florida	1	Minnesota	1	Virginia	1
Georgia	1	New Jersey	1	Washington	1
Hawaii	1	New York	2	Wisconsin	1
Idaho	1	North Carolina	1	Puerto Rico	1
Illinois	1	Ohio	1	Canada	7
Kansas	1	Oregon	1	Australia	10
Maine	1	Pennsylvania	1	New Zealand	4

OfficeMax, Contract also operated 75 office products stores in Hawaii (2), Canada (46), Australia (7) and New Zealand (20) and six customer service and outbound telesales centers in Illinois (2), Ohio, Oklahoma, Virginia and Wyoming.

OfficeMax, Retail

As of January 26, 2008, OfficeMax, Retail operated 981 stores in 48 states, Puerto Rico, the U.S. Virgin Islands and Mexico. The following table sets forth the locations of these facilities.

Alabama	11	Louisiana	2	Oklahoma	1
Alaska	3	Maine	1	Oregon	13
Arizona	40	Maryland	1	Pennsylvania	28
Arkansas	2	Massachusetts	9	Rhode Island	1
California	79	Michigan	43	South Carolina	6
Colorado	30	Minnesota	42	South Dakota	4
Connecticut	3	Mississippi	5	Tennessee	18
Delaware	1	Missouri	27	Texas	70
Florida	65	Montana	3	Utah	14
Georgia	28	Nebraska	9	Virginia	21
Hawaii	6	Nevada	14	Washington	21
Idaho	7	New Jersey	5	West Virginia	2
Illinois	64	New Mexico	9	Wisconsin	32
Indiana	14	New York	30	Wyoming	2
Iowa	9	North Carolina	28	Puerto Rico	10
Kansas	12	North Dakota	3	U.S. Virgin Islands	2
Kentucky	6	Ohio	53	Mexico(a)	72

OfficeMax, Retail also operated three large distribution centers in Alabama, Nevada and Pennsylvania; and two small distribution centers in Mexico through our joint venture.

(a)

Represents the locations operated by our 51%-owned joint venture in Mexico, Grupo OfficeMax.

ITEM 3. LEGAL PROCEEDINGS

OfficeMax Incorporated and certain of its subsidiaries are named as defendants in a number of lawsuits, claims and proceedings arising out of the operation of the paper and forest products assets prior to the closing of the Sale, for which OfficeMax agreed to retain responsibility. Also, as part of the Sale, we agreed to retain responsibility for all pending or threatened proceedings and future proceedings alleging asbestos-related injuries arising out of the operation of the paper and forest products assets prior to the closing of the Sale. We do not believe any of these retained proceedings are material to our business.

We have been notified that we are a "potentially responsible party" under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA") or similar federal and state laws, or have received a claim from a private party, with respect to certain sites where hazardous substances or other contaminants are or may be located. All of these sites relate to operations either no longer owned by the Company or unrelated to its ongoing operations. In most cases, we are one of many potentially responsible parties, and our alleged contribution to these sites is relatively minor. For sites where a range of potential liability can be determined, we have established appropriate reserves. We believe we have minimal or no responsibility with regard to several other sites. We cannot predict with certainty the total response and remedial costs, our share of the total costs, the extent to which contributions will be available from other parties or the amount of time necessary to complete the cleanups. Based on our investigations; our experience with respect to cleanup of hazardous substances; the fact that expenditures will, in many cases, be incurred over extended periods of time; and the number of solvent potentially responsible parties, we do not believe that the known actual and potential response costs will, in the aggregate, materially affect our financial position, our results of operations or our cash flows.

Over the past several years and continuing in 2008, we have been named a defendant in a number of cases where the plaintiffs allege asbestos-related injuries from exposure to asbestos products or exposure to asbestos while working at job sites. The claims vary widely and often are not specific about the plaintiffs' contacts with the Company. None of the claimants seeks damages from us individually, and we are generally one of numerous defendants. Many of the cases filed against us have been voluntarily dismissed, although we have settled some cases. The settlements we have paid have been covered mostly by insurance, and we believe any future settlements or judgments in these cases would be similarly covered. To date, no asbestos case against us has gone to trial, and the nature of these cases makes any prediction as to the outcome of pending litigation inherently subjective. At this time, however, we believe our involvement in asbestos litigation is not material to our financial position, our results of operations or our cash flows.

In June 2005, the Company announced that the SEC issued a formal order of investigation arising from the Company's previously announced internal investigation into its accounting for vendor income. The Company launched its internal investigation in December 2004 when the Company received claims by a vendor to its retail business that certain employees acted inappropriately in requesting promotional payments and in falsifying supporting documentation. The internal investigation was conducted under the direction of the Company's audit committee and was completed in March 2005. The Company cooperated fully with the SEC. In a letter dated October 23, 2007, the Company received notification from the SEC that it had completed its investigation against the Company and was not recommending any enforcement action.

On April 25, 2005, a putative derivative action, Homstrom v. Harad, et al., was filed in the Circuit Court of Cook County, Illinois. The Homstrom complaint names as defendants the following current and former officers and directors of OfficeMax Incorporated: George J. Harad, Christopher C. Milliken, Theodore Crumley, Gary J. Peterson, Brian P. Anderson, Warren F. Bryant, Claire S. Farley, Rakesh Gangwal, Edward E. Hagenlocker, Gary G. Michael, A. William Reynolds, Francesca Ruiz De Luzuriaga, Jane E. Shaw, Carolyn M. Ticknor, Ward W. Woods, Brian C. Cornell, David M. Szymanski, Richard R. Goodmanson, Donald N. MacDonald, and Frank A. Schrontz. The complaint also names the following former directors of OfficeMax, Inc. as defendants: Michael Feuer, Lee Fisher, Edwin J. Holman, Jerry Sue Thornton, Burnett W. Donoho, Michael F. Killeen, Ivan J. Winfield, and Jacqueline Woods. OfficeMax Incorporated is named as a nominal defendant. The complaint purports to assert, among other things, various common law derivative claims against the individual defendants including breach of fiduciary duty and unjust enrichment. The complaint seeks an award in favor of OfficeMax and against the individual defendants of an unspecified amount of damages, disgorgement of benefits and compensation, equitable or injunctive relief, costs, including attorneys' fees, and such other relief as the court deems just and proper. Pursuant to provisions of the Company's bylaws, fees and other expenses incurred in connection with the foregoing derivative action are being advanced on behalf of those present and former officers and directors by the Company.

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange (the "Exchange"). The Exchange requires each listed company to distribute an annual report to its shareholders. We are making this Form 10-K available to our shareholders in lieu of a separate annual report. The reported high and low sales prices for our common stock, as well as the frequency and amount of dividends paid on such stock, are included in Note 19, Quarterly Results of Operations (unaudited), of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K. We expect to continue the practice of paying regular cash dividends in 2008. Information concerning restrictions on the payment of dividends is included in Note 12, Debt, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" and in Liquidity and Capital Resources in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K. The approximate number of common shareholders, based upon actual record holders on February 22, 2008, was 18,493.

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

Information concerning securities authorized for issuance under our equity compensation plans is included in "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this Form 10-K.

Shareholder Rights Plan

We have had a shareholder rights plan since January 1986. Our current plan, as amended and restated, took effect in December 1998. At that time, the rights under the previous plan expired, and we distributed to our common stockholders one new right for each common share held. The rights become exercisable ten days after a person or group acquires 15% of our outstanding voting securities or ten business days after a person or group commences or announces an intention to commence a tender or exchange offer that could result in the acquisition of 15% of these securities. Each full right, if it becomes exercisable, entitles the holder to purchase one share of common stock at a purchase price of $175 per share, subject to adjustment. Upon payment of the purchase price, the rights may "flip in" and entitle holders to buy common stock or "flip over" and entitle holders to buy common stock in an acquiring entity in such amount that the market value is equal to twice the purchase price. The rights are nonvoting and may be redeemed by the Company for one cent per right at any time prior to the tenth day after an individual or group acquires 15% of our voting stock, unless extended. The rights expire in 2008. On January 18, 2006, the Company announced that the board of directors voted not to seek an extension of the shareholder rights plan when it expires in 2008. Additional details are set forth in the Renewed Rights Agreement which is an exhibit to this Form 10-K.

Stock Repurchases

Information concerning our stock repurchases during the three months-ended December 29, 2007 is presented below. All stock was withheld to satisfy our tax withholding obligations upon vesting of restricted stock awards.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
September 30-October 27	3,731	$ 33.35		
October 28-November 24	935	$ 26.08		
November 25-December 29	618	$ 24.61		

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Performance Graph

The following graph compares the five-year cumulative total return (assuming dividend reinvestment) for the Standard & Poor's 500 Index, the Standard & Poor's 500 Specialty Retail Index and OfficeMax.

ANNUAL RETURN PERCENTAGE
Years Ending

Company\Index Name	Dec 03	Dec 04	Dec 05	Dec 06	Dec 07
OfficeMax Incorporated	33.33	-2.81	-17.54	98.80	-57.62
S&P 500 Index	28.68	10.88	4.91	15.79	5.49
S&P 500 Specialty Retail Index	45.77	12.28	2.86	6.64	-20.27

INDEXED RETURNS
Years Ending

Company\Index Name	Base Period Dec 02	Dec 03	Dec 04	Dec 05	Dec 06	Dec 07
OfficeMax Incorporated	$ 100	$ 133.33	$ 129.59	$ 106.85	$ 212.43	$ 90.02
S&P 500 Index	100	128.68	142.69	149.70	173.34	182.86
S&P 500 Specialty Retail Index	100	145.77	163.68	168.37	179.54	143.14

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected financial data for the years indicated and should be read in conjunction with the disclosures in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

	2007(a)	2006(b)	2005(c)	2004(d)	2003(e)
	(millions, except per-share amounts)				
Assets					
Current assets	$ 2,205	$ 2,097	$ 1,942	$ 3,241	$ 2,597
Property and equipment, net	581	580	535	541	2,730
Timber, timberlands and timber deposits					331
Goodwill	1,217	1,216	1,218	1,165	1,107
Timber notes receivable	1,635	1,635	1,635	1,635	
Other	646	688	942	1,055	611
	$ 6,284	**$ 6,216**	**$ 6,272**	**$ 7,637**	**$ 7,376**
Liabilities and shareholders' equity					
Current liabilities	$ 1,371	$ 1,529	$ 1,588	$ 1,857	$ 1,986
Long-term debt, less current portion	349	384	407	585	2,000
Timber notes securitized	1,470	1,470	1,470	1,470	
Other	783	817	1,044	1,091	1,046
Minority interest	32	30	27	23	20
Shareholders' equity	2,279	1,986	1,736	2,611	2,324
	$ 6,284	**$ 6,216**	**$ 6,272**	**$ 7,637**	**$ 7,376**
Net sales	**$ 9,082**	**$ 8,966**	**$ 9,158**	**$ 13,270**	**$ 8,245**
Income (loss) from:					
Continuing operations	$ 207	$ 99	$ (41)	$ 234	$ 35
Discontinued operations		(7)	(33)	(61)	(18)
Cumulative effect of accounting changes, net of income tax					(9)
Net income (loss)	**$ 207**	**$ 92**	**$ (74)**	**$ 173**	**$ 8**
Basic income (loss) per common share:					
Continuing operations	$ 2.70	$ 1.30	$ (0.58)	$ 2.55	$ 0.37
Discontinued operations		(0.10)	(0.41)	(0.70)	(0.30)
Cumulative effect of accounting changes, net of income tax					(0.15)
Basic income (loss) per common share(f)	**$ 2.70**	**$ 1.20**	**$ (0.99)**	**$ 1.85**	**$ (0.08)**
Diluted income (loss) per common share:					
Continuing operations	$ 2.66	$ 1.29	$ (0.58)	$ 2.44	$ 0.37
Discontinued operations		(0.10)	(0.41)	(0.67)	(0.30)

	2007(a)	2006(b)	2005(c)	2004(d)	2003(e)
Cumulative effect of accounting changes, net of income tax					(0.15)
Diluted income (loss) per common share(f)	**$ 2.66**	**$ 1.19**	**$ (0.99)**	**$ 1.77**	**$ (0.08)**
Cash dividends declared per common share	**$ 0.60**	**$ 0.60**	**$ 0.60**	**$ 0.60**	**$ 0.60**

See notes on following page.

(a)

2007 included the following:

A net loss of $1.1 million included in minority interest, net of income tax related to the sale of OfficeMax, Contract's operations in Mexico to Grupo OfficeMax, our 51% owned joint venture.

$32.5 million of pre-tax income from the Additional Consideration Agreement we entered into in connection with the Sale.

(b)

2006 included the following pre-tax charges:

$89.5 million related to the closing of 109 underperforming domestic retail stores.

$46.4 million related to the relocation and consolidation of our corporate headquarters.

$10.3 million primarily related to a reorganization of our Contract segment.

$18.0 million primarily for contract termination and other costs related to the closure of our Elma, Washington manufacturing facility, which is accounted for as a discontinued operation.

2006 also included $48.0 million of pre-tax income from adjustments to the estimated fair value of the Additional Consideration Agreement we entered into in connection with the Sale.

(c)

2005 included the following pre-tax charges:

$25.0 million related to the relocation and consolidation of our corporate headquarters.

$31.9 million primarily for one-time severance payments, professional fees and asset write-downs.

$17.9 million related to the write-down of impaired assets, primarily related to retail store closures.

$5.4 million related to the restructuring of our international operations.

$9.8 million for a legal settlement with the Department of Justice.

$14.4 million related to our early retirement of debt.

$28.2 million for the write-down of impaired assets at our Elma, Washington manufacturing facility, which is accounted for as a discontinued operation.

2005 included 53 weeks for our OfficeMax, Retail segment.

(d)

2004 included a $67.8 million pre-tax charge for the write-down of impaired assets at our Elma, Washington, manufacturing facility, which is accounted for as a discontinued operation.

2004 included the results of our Boise Building Solutions and Boise Paper Solutions segments through October 28, 2004. On October 29, 2004, we completed the sale of our paper, forest products and timberland assets to affiliates of Boise Cascade, L.L.C., a new company formed by Madison Dearborn Partners LLC, and recorded a $280.6 million pre-tax gain. Part of the consideration we received in connection with the Sale consisted of timber installment notes receivable. We securitized the timber installment notes receivable for proceeds of $1.5 billion in December 2004. At the same time we entered into interest rate swap contracts to hedge the interest rate risk associated with the issuance of debt securities by special-purpose entities formed by the Company, and in December 2004 recorded $19.0 million of related expense.

2004 included $137.1 million of costs related to our early retirement of debt.

2004 included a pre-tax gain of $59.9 million on the sale of approximately 79,000 acres of timberland located in western Louisiana.

2004 included a pre-tax gain of $46.5 million on the sale of our 47% interest in Voyageur Panel.

2004 included $15.9 million of expense for the costs of certain one-time benefits granted to employees.

(e)

2003 included a pre-tax charge of $10.1 million for employee-related costs incurred in connection with the 2003 cost-reduction program.

2003 included a net $2.9 million one-time tax benefit related to a favorable tax ruling, net of changes in other tax items.

2003 included a $14.7 million pre-tax charge for the write-down of impaired assets at our plywood and lumber operations in Yakima, Washington.

2003 included income from the OfficeMax, Inc. operations for the period from December 10, 2003 through December 27, 2003, and costs, including incremental interest expense, directly related to the acquisition. The net effect of these items reduced income by $4.1 million before taxes, or $2.5 million after taxes.

(f)

The computation of diluted income (loss) per common share was antidilutive in the years 2005 and 2003; therefore, the amounts reported for basic and diluted income (loss) per common share are the same.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 "Item 1A, Risk Factors" of this Form 10-K, including "Cautionary and Forward-Looking Statements."

Executive Summary

Sales for 2007 were $9.1 billion, compared to $9.0 billion for 2006 and $9.2 billion for 2005. Net income for 2007 was $207.4 million, or $2.66 per diluted share, compared to $91.7 million, or $1.19 per diluted share, for 2006 and a net loss of $73.8 million, or $(0.99) per diluted share, for 2005.

Results for the years of 2007, 2006 and 2005 include various items related to the Company's previously announced restructuring activities and our transition from a predominately commodity manufacturing-based company to an independent office products distribution company which are not expected to be ongoing. Charges and obligations related to many of these items have been included in our integration activities and facility closures reserve. For more information about these reserves, see the discussion of "Integration Activities and Facility Closures" below. Some of the more significant effects of these actions on our results include:

In 2007, we recognized pre-tax income of $32.5 million and received cash payments from Boise Cascade L.L.C. of $32.5 million related to the Additional Consideration Agreement that was entered into in connection with the 2004 sale of our paper, forest products and timberland assets (the "Sale"). This amount was included in Other income (Expense), net (non-operating). Also, during 2007, we incurred a loss from the sale of OfficeMax, Contract's operations in Mexico to Grupo OfficeMax, our 51% owned joint venture, which resulted in a $1.1 million increase in minority interest, net of income tax. Grupo OfficeMax's results of operations are included in our consolidated results of operations.

In 2006, we recorded pre-tax charges of $89.5 million related to the closing of 109 underperforming, domestic retail stores, $10.3 million primarily related to the reorganization of our contract segment and $46.4 million primarily related to the consolidation of our corporate headquarters. These charges were included in Other operating, net in the Consolidated Statements of Income (Loss) and were reflected in the Retail segment (store closures), Contract segment (reorganization) and Corporate and Other segment (headquarters consolidation), respectively. During 2006, we reduced the liability related to the Additional Consideration Agreement that was entered into in connection with the Sale, which resulted in a credit to Other income (Expense), net (non-operating) of $48.0 million. We also recorded an $18.0 million pre-tax charge for the closure of our Elma, Washington manufacturing facility which was reflected in Discontinued Operations in the Consolidated Statements of Income (Loss).

In 2005, we recorded pre-tax charges of $25.0 million related to the consolidation and relocation of our corporate headquarters, $17.9 million related to the write-down of impaired assets, primarily as a result of retail store closures, $5.4 million related to the restructuring of our international operations, and $31.9 million for one-time severance payments, professional fees and asset write-downs. These charges were reflected in the Retail segment (retail store impairment), Contract segment (international restructuring) and Corporate and Other segment (headquarters consolidation, severance, professional fees and asset write-downs), respectively. In addition, we recognized a $9.8 million pre-tax charge in the Contract segment for a legal settlement with the Department of Justice related to allegations that the Company submitted false claims when it sold office supply products manufactured in countries not permitted by the Trade Agreements Act to U.S. government agencies. We incurred $14.4 million of costs related to our early retirement of debt, and recorded a $28.2 million pre-tax charge for the write-down of impaired assets at our Elma, Washington manufacturing facility, which is accounted for as a discontinued operation.

We evaluate our results of operations both before and after certain gains and losses that management believes are not indicative of our core operating activities, such as the items described above. We believe our presentation of financial measures before, or excluding, these items, which are non-GAAP measures, enhances our investors' overall understanding of the impact of the Company's restructuring activities and our recurring operational performance and provides useful information to both investors and management to evaluate the ongoing operations and prospects of the Company by providing better comparisons and information regarding significant trends and variability in our earnings. Whenever we use non-GAAP financial measures, we designate those measures as "adjusted" and provide a reconciliation of non-GAAP financial measures to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of those non-GAAP financial measures to their most directly comparable GAAP financial measure.

Although we believe the non-GAAP financial measures enhance an investors' understanding of our performance, our management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. The non-GAAP financial measures we use may not be consistent with the presentation of similar companies in our industry. However, we present such non-GAAP financial measures in reporting our financial results to provide investors with an additional tool to evaluate our operating results in a manner that focuses on what we believe to be our ongoing business operations. In addition, use of the non-GAAP measures that exclude certain gains and losses is not intended to suggest that our future financial results will not be impacted by additional unusual items.

The following table summarizes the impact of the gains and losses described above on our results of operations for 2007, 2006 and 2005, and provides a reconciliation of our non-GAAP measures to the corresponding GAAP measure. Both GAAP and non-GAAP measures are used throughout this Management's Discussion and Analysis.

	Year Ended (millions, except per-share amounts)								
	December 29, 2007			December 30, 2006			December 31, 2005		
	As Reported	Special Items	As Adjusted	As Reported	Special Items	As Adjusted	As Reported	Special Items	As Adjusted
Segment Sales									
OfficeMax, Contract	$ 4,816.1		$ 4,816.1	$ 4,714.5		$ 4,714.5	$ 4,628.6		$ 4,628.6
OfficeMax, Retail	4,265.9		4,265.9	4,251.2		4,251.2	4,529.1		4,529.1
	9,082.0		9,082.0	8,965.7		8,965.7	9,157.7		9,157.7
Segment Income (loss)									
Office, Contract	$ 207.9	$	$ 207.9	$ 197.7	$ 10.3(a)	$ 208.0	$ 100.3	$ 15.2(a),(i)	$ 115.5
OfficeMax, Retail	173.7		173.7	86.3	89.5(b)	175.8	27.9	17.9(h)	45.8
Corporate and Other	(37.4)		(37.4)	(118.0)	46.4(c)	(71.6)	(118.5)	56.9(c),(j)	(61.6)
Operating income (loss)	344.2		344.2	166.0	146.2	312.2	9.7	90.0	99.7
Operating Income margin									
OfficeMax, Contract	4.3%		4.3%	4.2%	0.2%	4.4%	2.2%	0.3%	2.5%
OfficeMax, Retail	4.1%		4.1%	2.0%	2.1%	4.1%	0.6%	0.4%	1.0%
Consolidated	3.8%		3.8%	1.9%	1.6%	3.5%	0.1%	1.0%	1.1%
Debt retirement expenses							(14.4)	14.4(k)	
Interest expense	(121.3)		(121.3)	(123.1)		(123.1)	(128.5)		(128.5)
Interest income and other	114.6	(32.4)(d)	82.2	129.1	(48.0)(d)	81.1	95.6	1.6	97.2
Income (loss) from continuing operations	337.5	(32.4)	305.1	172.0	98.2	270.2	(37.6)	106.0	68.4

	Year Ended (millions, except per-share amounts)								
before income taxes and minority interest									
Income taxes	(125.2)	12.0(g)	(113.2)	(68.8)	(38.2)(g)	(107.0)	(1.2)	(41.2)(g)	(42.4)
Income (loss) from continuing operations before minority interest	212.3	(20.4)	191.9	103.2	60.0	163.2	(38.8)	64.8	26.0
Minority interest, net of income tax	(4.9)	1.1(e)	(3.8)	(4.1)		(4.1)	(2.4)		(2.4)
Income (loss) from continuing operations	207.4	(19.3)	188.1	99.1	60.0	159.1	(41.2)	64.8	23.6
Discontinued operations									
Operating loss				(18.0)	18.0(f)		(24.4)	24.4(f)	
Write-down of assets							(28.2)	28.2(f)	
Income tax benefit				10.6	(10.6)(g)		20.1	(20.1)(g)	
Loss from discontinued operations				(7.4)	7.4		(32.5)	32.5	
Net income (loss)	$ 207.4	$ (19.3)	$ 188.1	$ 91.7	$ 67.4	$ 159.1	$ (73.7)	$ 97.3	$ 23.6
Diluted income (loss) per common share									
Continuing operations	$ 2.66	$ (0.25)	$ 2.41	$ 1.29	$ 0.81	$ 2.10	$ (0.58)	$ 0.82	$ 0.24
Discontinued operations				(0.10)	0.10		(0.41)	0.41	

	Year Ended (millions, except per-share amounts)																	
Diluted income (loss) per common share	$	2.66	$	(0.25)	$	2.41	$	1.19	$	0.91	$	2.10	$	(0.99)	$	1.23	$	0.24

Totals may not foot due to rounding.

(a) Charges associated with the reorganization of our Contract segment included in Contract segment operating expenses.

(b) Charges associated with the closing of 109 retail stores included in Retail segment operating expenses.

(c) Charges associated with the consolidation of our corporate headquarters included in Corporate and Other segment operating expenses.

(d) Income related to the Additional Consideration agreement included in interest income and other.

(e) Loss from a sale of OfficeMax, Contract's operations in Mexico included in minority interest, net of income tax.

(f) Loss from Discontinued operations related to a manufacturing facility near Elma, Washington.

(g) Income tax effect of special items.

(h) Charges associated with impaired assets in underperforming retail stores included in Retail segment operating expenses.

(i) Charges associated with a legal settlement with the Department of Justice included in Contract segment operating expenses.

(j) Charges associated with one-time severance payments, professional fees and asset write-downs.

(k) Loss from early retirement of debt.

Results of Operations, Consolidated

($ in millions, except per share amounts)

	2007	2006	2005
Sales	$ 9,082.0	$ 8,965.7	$ 9,157.7
Income (loss) from continuing operations before income taxes and minority interest	$ 337.5	$ 171.9	$ (37.6)
Net income (loss)	$ 207.4	$ 91.7	$ (73.8)
Diluted income (loss) per common share			
Continuing operations	$ 2.66	$ 1.29	$ (0.58)
Discontinued operations		(0.10)	(0.41)
Diluted income (loss) per common share	**$ 2.66**	**$ 1.19**	**$ (0.99)**

		(percentage of sales)	
Gross profit margin	25.4%	25.8%	24.0%
Operating and selling expenses	18.0%	18.3%	19.3%
General and administrative expenses	3.7%	4.0%	4.0%
Other operating, net	(0.1)%	1.6%	0.6%
Operating profit margin	3.8%	1.9%	0.1%

Operating Results

2007 Compared with 2006

Sales for 2007 increased 1.3% to $9,082.0 million from $8,965.7 million for 2006. The year-over-year sales increase was primarily due to growth in our international businesses. Comparable-store sales increased 0.5% year-over-year primarily as a result of higher sales in our Contract segment. For more information about our segment results, see the discussion of segment results below. The year-over-year sales increases were largely influenced by fluctuations in foreign currency exchange rates, a weaker domestic economic environment in the second half of 2007 and our more disciplined focus on profitable sales growth.

Gross profit margin decreased by 0.4% of sales to 25.4% of sales in 2007 compared to 25.8% of sales in 2006. The gross profit margin decrease was driven by pricing pressure and the impact of new and renewing accounts in our Contract segment.

Operating and selling expenses decreased by 0.3% of sales to 18.0% of sales in 2007 from 18.3% of sales a year earlier. The improvement in operating and selling expenses as a percent of sales was the result of targeted cost reduction programs, including lower promotion and marketing costs and delivery expenses in the Contract segment, and reduced store labor and marketing costs in the Retail segment, as well as reduced incentive compensation expense.

General and administrative expenses were 3.7% of sales for 2007 compared to 4.0% of sales for 2006. The year-over-year decrease in general and administrative expenses as a percentage of sales was due primarily to a decrease in incentive compensation expense.

Other operating, net includes dividends earned on our investment in affiliates of Boise Cascade, L.L.C., which were $6.1 million for 2007 and $5.9 million for 2006, respectively. See Note 5, Other Operating, Net, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for additional information related to the components of Other operating, net.

In 2006, Other operating, net also included $89.5 million related to the 109 domestic store closures, $46.4 million primarily related to the headquarters consolidation and $10.3 million primarily related to the Contract segment reorganization.

Interest expense was $121.3 million in 2007 compared to $123.1 million in 2006. The year-over-year decrease in interest expense was a result of lower average borrowings. Interest expense includes interest related to the timber securitization notes of approximately $80.5 million for 2007 and 2006. The interest expense associated with the timber securitization notes is offset by interest income earned on the timber notes receivable of approximately $82.5 million for both 2007 and 2006. The interest income on the timber notes receivable is included in interest income and is not netted against the related interest expense in our Consolidated Statements of Income (Loss).

Excluding the interest income earned on the timber notes receivable, interest income was $5.4 million and $7.2 million for the years ended December 29, 2007 and December 30, 2006, respectively.

Other income (expense), net was $26.7 million of income in 2007 compared to $39.3 million of income in 2006. In 2007 and 2006, we recognized income of $32.5 million and $48.0 million, respectively, in Other income (expense), net related to the Additional Consideration Agreement that was entered into in connection with the Sale. See Note 13, Financial Instruments, Derivatives and Hedging Activities, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for additional information related to the Additional Consideration Agreement.

Our effective tax rate attributable to continuing operations was 37.1% in 2007 and 40.0% in 2006. Income taxes for both periods were affected by the impact of state income taxes, non-deductible expenses and the mix of domestic and foreign sources of income. The effective rate for 2007 was also impacted by the closure of certain prior year audits, which reduced the effective rate. In 2006, we increased our valuation allowance for certain state net operating loss carryforwards by $6.5 million.

As a result of the foregoing factors, we reported income from continuing operations of $207.4 million, or $2.66 per diluted share, for 2007, compared to $99.1 million, or $1.29 per diluted share, for 2006. We reported net income for 2007 of $207.4 million, or $2.66 diluted share compared with net income of $91.7 million, or $1.19 per diluted share in 2006. Excluding the charge related to the sale of OfficeMax, Contract's operations in Mexico and the effect of the Additional Consideration Agreement, adjusted income from continuing operations was $188.1 million, or $2.41 per diluted share, for 2007. Excluding the effect of the Additional Consideration Agreement adjustment, the charges for store closures, contract segment reorganization and our headquarters consolidation, adjusted income from continuing operations was $159.1million, or $2.10 per diluted share, for 2006.

2006 Compared with 2005

Sales for 2006 decreased 2.1% to $8,965.7 million from $9,157.7 million for 2005. The year-over-year sales decrease was primarily due to the impact of 109 strategic store closings in the first quarter of 2006 and the 53rd week included in the 2005 Retail segment results. Comparable-store sales increased 1.0% year-over-year primarily as a result of higher sales in our Contract segment. For more information about our segment results, see the discussion of segment results below.

Gross profit margin improved by 1.8% of sales to 25.8% of sales in 2006 compared to 24.0% of sales in the previous year. The gross profit margin increase was driven by gross margin improvement initiatives in both the Contract and Retail segments.

Operating and selling expenses decreased by 1.0% of sales to 18.3% of sales in 2006 from 19.3% of sales a year earlier. The improvement in operating and selling expenses as a percent of sales was the result of targeted cost reduction programs, including lower promotion and marketing costs, payroll and integration expenses in the Contract segment, and reduced store labor and marketing costs in the Retail segment.

General and administrative expenses were 4.0% of sales for 2006 and 2005. General and administrative expenses in 2005 included $24.2 million of expenses for one-time severance payments and other expenses, primarily professional service fees, which are not expected to be ongoing. Excluding the severance and other expenses, adjusted general and administrative expenses were 3.6% of sales for 2005. The year-over-year increase in general and administrative expenses, excluding the severance and other expenses, was due to increased payroll costs, primarily increased incentive compensation expense.

In 2006, we reported $140.3 million of expense in Other operating, net which included $89.5 million related to the 109 domestic store closures, $46.4 million primarily related to the headquarters consolidation and $10.3 million primarily related to the Contract segment reorganization. In 2005, we reported $54.0 million of expense in Other operating, net. Other operating, net for 2005 included a $9.8 million charge for a legal settlement with the Department of Justice and $25.0 million related to the corporate headquarters consolidation. 2005 also included $23.2 million of expenses for the write-down of impaired assets at underperforming retail stores and the restructuring of our Canadian operations. Other operating, net also includes dividends earned on our investment in affiliates of Boise Cascade, L.L.C., which were $5.9 million for 2006 and $5.5 million for 2005, respectively. See Note 5, Other Operating, Net, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for additional information related to the components of Other operating, net.

During 2005, we incurred costs related to the early retirement of debt of approximately $14.4 million primarily as a result of purchasing and cancelling $87.3 million of 7% senior notes originally due in 2013.

Interest expense was $123.1 million in 2006 compared to $128.5 million in 2005. The year-over-year decrease in interest expense was a result of lower average borrowings. Interest expense included interest related to the timber securitization notes of approximately $80.5 million for 2006 and 2005. The interest expense associated with the timber securitization notes is offset by interest income earned on the timber notes receivable of approximately $82.5 million for both 2006 and 2005. The interest income on the timber notes receivable is included in interest income and is not netted against the related interest expense in our Consolidated Statements of Income (Loss).

Excluding the interest income earned on the timber notes receivable, interest income was $7.2 million and $14.8 million for the years ended December 30, 2006 and December 31, 2005, respectively. The additional interest income in 2005 included interest earned on the cash and short-term investments we held following the Sale. Approximately $800 million of the Sale proceeds were used to repurchase 23.5 million shares of our common stock during the second quarter of 2005.

Other income (expense), net was $39.3 million of income in 2006 compared to $1.7 million of expense in 2005. In 2006, we reduced the liability related to the Additional Consideration Agreement that was entered into in connection with the Sale. The reduction in the liability reflected the effect of changes in our expectations regarding paper prices over the remaining term of the agreement, and resulted in the recognition of $48.0 million of other non-operating income in 2006. See Note 13, Financial Instruments, Derivatives and Hedging Activities, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of the Form 10-K for additional information related to the Additional Consideration Agreement.

Our effective tax rate attributable to continuing operations for 2006 was 40.0%. In 2005, we reported $1.2 million of income tax expense on a pre-tax loss of $37.6 million. Income taxes for both periods were affected by the impact of state income taxes, non-deductible expenses and the mix of domestic and foreign sources of income. Income tax expense in 2005 was also impacted by a $21.5 million increase in the valuation allowance for certain state net operating losses.

As a result of the foregoing factors, we reported income from continuing operations of $99.1 million, or $1.29 per diluted share, for 2006, compared to a loss from continuing operations of $41.2 million, or $(0.58) per diluted share, for 2005. Including the loss from discontinued operations, the net income for 2006 was $91.7 million, or $1.19 per diluted share compared with a net loss of $73.8 million, or ($0.99) per diluted share in 2005. Excluding the effect of the Additional Consideration Agreement adjustment, the charges for store closures, contract segment reorganization and our headquarters consolidation, adjusted income from continuing operations was $159.1 million, or $2.10 per diluted share, for 2006. Excluding the charges for the write-down of impaired assets of certain retail stores, our legal settlement with the Department of Justice, severance and professional fees, international restructuring and our headquarters consolidation, we recognized adjusted income from continuing operations of $23.6 million, or $0.24 per diluted share, for 2005.

Segment Discussion

We report our results using three reportable segments: OfficeMax, Contract; OfficeMax, Retail; and Corporate and Other.

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 to small and medium-sized offices in the United States, Canada, Australia and New Zealand. This segment markets and sells through field salespeople, 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. Our retail segment has operations in the United States, Puerto Rico and the U.S. Virgin Islands. Our retail segment's office supply stores feature OfficeMax ImPress, an in-store module devoted to print-for-pay and related services. Our retail segment also operates office products stores in Mexico through a 51%-owned joint venture.

Corporate and Other includes support staff services and the related assets and liabilities as well as certain other expenses not fully allocated to the segments.

Management evaluates the segments based on operating profit before interest expense, income taxes and 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. However, certain expenses that management considers unusual or non-recurring are not allocated to the Contract and Retail segments.

OfficeMax, Contract

($ in millions)

	2007	2006	2005
Sales	$ 4,816.1	$ 4,714.5	$ 4,628.6
Segment income	$ 207.9	$ 197.7	$ 100.3
Sales by Product Line			
Office supplies and paper	$ 2,696.3	$ 2,568.9	$ 2,598.1
Technology products	1,535.1	1,551.9	1,469.2
Office furniture	584.7	593.7	561.3
Sales by Geography			
United States	$ 3,518.9	$ 3,559.8	$ 3,519.7
International	1,297.2	1,154.7	1,108.9
Sales growth	2%	2%	6%
Same-location sales growth	2%	2%	5%
	(percentage of sales)		
Gross profit margin	21.8%	22.5%	21.9%
Operating expenses, including allocated general and administrative expenses	17.5%	18.3%	19.7%
Operating profit margin	4.3%	4.2%	2.2%

2007 Compared With 2006

Contract segment sales for 2007 increased 2.2% to $4,816.1 million, from $4,714.5 million for 2006, reflecting a U.S. sales decline of 1.2% offset by international sales growth of 12.3% in U.S. dollars, or 2.8% in local currencies. The U.S. sales decline reflects a weaker economic environment in the second half of 2007, as well as our initiative to terminate existing unprofitable contracts and be more disciplined in new account acquisitions.

Contract segment gross profit margin decreased 0.7% of sales to 21.8% of sales for 2007 compared to 22.5% of sales in the previous year. The year-over-year decrease was primarily due to the continued impact of new and renewing accounts with lower gross margin rates and the impact of paper price increases throughout the year.

Operating expenses for the Contract segment decreased 0.8% of sales to 17.5% of sales for 2007 from 18.3% of sales a year earlier. Fiscal year 2006 included $10.3 million of costs related to the Contract segment reorganization. Excluding the impact of these charges, adjusted operating expenses were 18.2% of sales for 2006. The year-over-year improvement in operating expenses as a percentage of sales on an adjusted basis is the result of targeted cost controls, including the reorganization of the Contract segment that we began in the fourth quarter of 2006, lower incentive compensation expense and lower promotion and marketing costs.

Contract segment income increased $10.2 million to $207.9 million, or 4.3% of sales for 2007, compared to income of $197.7 million, or 4.2% of sales, for 2006. Excluding the $10.3 million of costs related to the Contract segment reorganization, Contract segment income was $208.0 million, or 4.4% of sales, for 2006.

2006 Compared With 2005

Contract segment sales for 2006 increased 1.9% to $4,714.5 million, from $4,628.6 million in 2005. Year-over-year same-location sales increased 2%.

Contract segment gross profit margin improved by 0.6% of sales to 22.5% of sales for 2006 compared to 21.9% of sales in the previous year. The year-over-year increase resulted from a continued focus on the middle-market and other higher margin sales opportunities.

Operating expenses for the Contract segment decreased by 1.4% of sales to 18.3% of sales for 2006 from 19.7% of sales a year earlier. Fiscal year 2006 includes $10.3 million of costs related to the Contract segment reorganization. Fiscal year 2005 includes a $9.8 million pre-tax charge for a legal settlement with the Department of Justice and a $5.4 million pre-tax charge related to the restructuring of our international operations. Excluding the impact of these charges, operating expenses were 18.2% and 19.4% of sales for 2006 and 2005, respectively. The year-over-year improvement in operating expenses as a percentage of sales is due to lower promotion and marketing costs as well as reduced payroll and integration expenses.

Contract segment income increased $97.4 million to $197.7 million, or 4.2% of sales, for 2006, compared to income of $100.3 million, or 2.2% of sales, for 2005. Excluding the $10.3 million of costs related to the Contract segment reorganization, adjusted Contract segment income was $208.0 million, or 4.4% of sales, for 2006. Excluding the $9.8 million legal settlement with the Department of Justice and the $5.4 million of international restructuring charges, adjusted Contract segment income was $115.5 million, or 2.5% of sales, for 2005.

OfficeMax, Retail

($ in millions)

	2007	2006	2005
Sales	$ 4,265.9	$ 4,251.2	$ 4,529.1
Segment income	$ 173.7	$ 86.3	$ 27.9
Sales by Product Line			
Office supplies and paper	$ 1,640.4	$ 1,627.5	$ 1,639.6
Technology products	2,241.8	2,212.5	2,363.5
Office furniture	383.7	411.2	526.0
Sales by Geography			
United States(a)	$ 4,030.0	$ 4,057.4	$ 4,358.9
International	235.9	193.8	170.2
Sales growth	0.3%	(6.1)%	1.1%
Same-location sales growth	(1.2)%	0.1%	(1.0)%
		(percentage of sales)	
Gross profit margin	29.5%	29.3%	26.2%
Operating expenses, including allocated general and administrative expenses	25.4%	27.3%	25.6%
Operating profit margin	4.1%	2.0%	0.6%

(a) Includes our operations in the United States, Puerto Rico and the U.S. Virgin Islands.

2007 Compared With 2006

Retail segment sales for 2007 increased by 0.3% to $4,265.9 million from $4,251.2 million for 2006. Retail segment same-location sales decreased 1.2% year-over-year during 2007.

Adjusted for the Company's initiative to eliminate mail-in rebates, and to provide instant rebates in lieu of national, vendor-sponsored mail-in rebates, same-store sales decreased 0.5% during 2007. During the fourth quarter of 2007, Retail segment same-store sales decreased 7.3% year-over-year due to weakness in consumer and small business spending and the Company's reduced promotional activity during the holiday season. The fourth quarter same-store sales decrease offset same store sales increases realized during the first three quarters of 2007. During 2007, we opened 59 new retail stores in the U.S., ending the period with 908 retail stores in the U.S. Our majority owned joint-venture in Mexico opened 15 stores during 2007, ending the year with 68 stores.

Retail segment gross profit margin improved 0.2% of sales to 29.5% of sales for 2007, compared to 29.3% of sales in the previous year. The gross margin improvement was primarily due to the segment's improved promotional and advertising strategies, primarily during the holiday season, partially offset by occupancy costs for new stores.

Operating expenses for the Retail segment decreased 1.9% of sales to 25.4% of sales for 2007 from 27.3% of sales a year earlier. During 2006, the Retail segment incurred pre-tax charges of $89.5 million related to the closure of 109 underperforming retail stores. Excluding the impact of these charges, adjusted Retail segment operating expenses were 25.2% of sales for 2006. The year-over-year increase on an as adjusted basis was primarily due to expense deleveraging from new store openings and the same-store sales decrease, partially offset by reduced incentive compensation expense.

Retail segment operating income was $173.7 million, or 4.1% of sales, for 2007 and $86.3 million, or 2.0% of sales, for 2006. Excluding the impact of the store closing related charges, adjusted Retail segment operating income was $175.8 million, or 4.1% of sales for 2006.

2006 Compared With 2005

Retail segment sales for 2006 decreased 6.1% to $4,251.2 million for 2006 compared to $4,529.1 million for 2005. Retail segment sales were lower due to the impact of the 109 strategic store closings during the first quarter of 2006 and the 53rd week included in 2005 results. Retail segment same-location sales increased 0.1% year-over-year during 2006. During 2006, we opened 44 new retail stores in the U.S., ending the period with 859 retail stores in the U.S. Our majority owned joint-venture in Mexico opened 12 stores during 2006, ending the year with 55 stores.

Retail segment gross profit margin improved by 3.1% of sales to 29.3% of sales for 2006, from 26.2% of sales in the previous year. The gross margin improvement was primarily due to the segment's improved promotional and advertising strategies and reduced inventory shrinkage and inventory clearance, year-over-year.

Retail segment operating expenses increased by 1.7% of sales to 27.3% of sales for 2006 compared to 25.6% of sales a year earlier. During 2006, the Retail segment incurred pre-tax charges of $89.5 million related to the closure of 109 underperforming retail stores. In 2005, the Retail segment incurred asset impairment charges of $17.9 million primarily related to the store closures. Excluding the impact of these charges, adjusted Retail segment operating expenses were 25.2% of sales for both 2006 and 2005. Operating expenses for 2006 benefited from targeted cost reductions, including reduced store labor and marketing costs. These improvements were offset by an increase in allocated general and administrative expenses during 2006.

Retail segment income increased by $58.4 million to $86.3 million, or 2.0% of sales, compared to income of $27.9 million, or 0.6% of sales, for 2005. Excluding the impact of the store closing related charges for both years, adjusted Retail segment operating income for 2006 was $175.8 million, or 4.1% of sales, compared to $45.8 million, or 1.0% of sales for 2005.

Corporate and Other

Corporate and Other expenses were $37.4 million for 2007 compared to $118.0 million for 2006. During 2006, we recorded expenses largely related to the headquarters consolidation in the

Corporate and Other segment totaling $46.4 million. Excluding the expenses related to headquarters consolidation, adjusted Corporate and Other expenses were $71.6 million in 2006. The year-over-year decrease in our Corporate and Other expenses was primarily due to reduced incentive compensation expense and lower legacy costs. Corporate and Other expenses were $118.5 million during 2005, and included $56.9 million of expenses related to the headquarters consolidation, one-time severance payments and other expenses, primarily professional service fees, which are not expected to be ongoing. Excluding the headquarters consolidation, one-time severance payments and other expenses, primarily professional service fees, Corporate and Other expenses were $61.6 million in 2005.

Discontinued Operations

In December 2004, our 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 the 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, we concluded that we would be 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 December 29, 2007, the Company has not identified a buyer for the facility.

We recorded pre-tax charges, including $28.2 million recorded in the fourth quarter of 2005, to reduce the carrying value of the long-lived assets of the Elma, Washington facility to their estimated fair value. During the first quarter of 2006, we ceased operations at the facility and recorded pre-tax expenses of $18.0 million for contract termination and other closure costs. These charges and expenses were reflected within discontinued operations in the Consolidated Statements of Income (Loss).

See Note 2, Discontinued Operations, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for additional information related to the discontinued operation.

Integration Activities and Facility Closures

Increased scale as a result of the OfficeMax, Inc. acquisition has allowed management to evaluate the Company's combined office products business and to identify opportunities for consolidating operations. Costs associated with the planned closure and consolidation of acquired OfficeMax, Inc. facilities were accounted for under Emerging Issues Task Force ("EITF") Issue No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination," and recognized as liabilities in connection with the acquisition and charged to goodwill. Costs incurred in connection with all other business integration activities have been recognized in the Consolidated Statements of Income (Loss).

In September 2005, the board of directors approved a plan to relocate and consolidate our retail headquarters in Shaker Heights, Ohio and existing corporate headquarters in Itasca, Illinois into a new facility in Naperville, Illinois. We began the consolidation and relocation process in the latter half of 2005. As of December 30, 2006, we had expensed approximately $70.9 million of costs related to the headquarters consolidation in our Corporate and Other segment, including $45.9 million recognized during 2006 and $25.0 million recognized during the second half of 2005. The consolidation and relocation process was completed during the second half of 2006.

Also in 2005, we recorded charges to income of $23.2 million for the write-down of impaired assets related to underperforming retail stores and the restructuring of our Canadian operations.

During 2006, we announced the reorganization of our Contract segment and recorded a pre-tax charge of $7.3 million for employee severance related to the reorganization. The Contract segment also recorded an additional $3.0 million of costs during 2006, primarily related to a facility closure and employee severance.

During 2006, we closed 109 underperforming, domestic retail stores and recorded a pre-tax charge of $89.5 million, comprised of $11.3 million for employee severance, asset write-off and impairment and other closure costs and $78.2 million of estimated future lease obligations.

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, 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 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 payments.

Integration and facility closure reserve account activity during 2007, 2006 and 2005, including activity related to the reorganization of our Contract segment, retail store closures and headquarters consolidation, was as follows:

	Lease\ Contract Terminations	Severance\ Retention	Asset Write-off & Impairment	Other	Total
	(thousands)				
Balance at December 31, 2004	$ 116,390	$ 6,642	$	$ 409	$ 123,441
Charges to income	547	21,214	23,062	3,565	48,388
Change in goodwill					
Changes to estimated costs included in income					
Cash payments	(28,872)	(6,354)		(3,235)	(38,461)
Non-cash charges			(23,062)		(23,062)
Accretion	3,390				3,390
Balance at December 31, 2005	$ 91,455	$ 21,502	$	$ 739	$ 113,696
Charges to income	89,934	19,407	9,543	27,332	146,216
Change in goodwill	(11,000)				(11,000)
Changes to estimated costs included in income		(1,080)			(1,080)
Cash payments	(68,596)	(28,991)		(18,951)	(116,538)
Non-cash charges			(9,543)	(5,978)	(15,521)
Accretion	6,031				6,031
Balance at December 30, 2006	$ 107,824	$ 10,838	$	$ 3,142	$ 121,804
Charges to income					
Change in goodwill					
Changes to estimated costs included in income					
Cash payments	(38,196)	(8,424)		(1,725)	(48,345)
Non-cash charges					
Accretion	3,603				3,603
Balance at December 29, 2007	$ 73,231	$ 2,414	$	$ 1,417	$ 77,062

At December 29, 2007, approximately $22.2 million of the integration and facility closure reserve liability was included in accrued liabilities, other, and $54.9 million was included in other long-term liabilities. At December 29, 2007, the integration activities and facility closures reserve included approximately $73 million for estimated future lease obligations, which represents the estimated fair value of the lease obligations and is net of anticipated sublease income of approximately $77 million.

Liquidity and Capital Resources

As of December 29, 2007, we had $152.6 million of cash and cash equivalents and $398.4 million of short-term and long-term debt, excluding the $1.5 billion 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. During 2007, our net debt (total debt excluding the timber securitization notes less cash and restricted investments) increased by approximately $117.9 million. The increase in net debt is due in part to our termination of our accounts receivable securitization program in 2007. During 2006, we reduced our net debt by approximately $295 million. Since the end of 2003, we have paid down approximately $1.9 billion of debt, primarily with proceeds from the Sale, and expensed $151.5 million of costs related to the early retirement of debt. We have also returned nearly $885 million of cash to equity holders, including the repurchase of 23.5 million shares of our common stock for $775.5 million, plus transaction costs in 2005. Our ratio of current assets to current liabilities was 1.61:1 at December 29, 2007, compared with 1.37:1 at December 30, 2006. The increase in our ratio of current assets to current liabilities at December 29, 2007 resulted primarily from a decrease in accounts payable and an increase in accounts receivable as a result of the termination of our securitization program on July 12, 2007, with the simultaneous restructuring of our revolving credit facility.

Our primary ongoing cash requirements relate to working capital, expenditures for property and equipment, lease obligations and debt service. 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

Our operating activities generated cash of $70.6 million and $375.6 million in 2007 and 2006, respectively, and used cash of $56.9 million in 2005. In 2007, items included in net income provided $378.0 million of cash, and changes in working capital items used $307.4 million. Cash used by working capital changes includes the effect of terminating our accounts receivable securitization program and the resulting increase in accounts receivable, and a reduction in accounts payable-to-inventory leverage due to decreased inventory turnover and reduced terms for a few key vendors. These changes were partially offset by the monetization of certain Company-owned life insurance assets. In 2006, items included in net income (loss) provided $270.1 million of cash, and favorable changes in working capital items provided $105.5 million. Included in net working capital changes during 2005 were net income tax payments of $134.1 million primarily related to gains recognized in 2004. Other working capital changes in 2005 included a reduction in accounts payable and accrued liabilities partially offset by improved accounts receivable and inventory levels.

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" of this Form 10-K). 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 which reduced cash provided by operations. We no longer sell any of our accounts receivable. At December 30, 2006 $180.0 million of sold accounts receivable were excluded from Receivables in our Consolidated Balance Sheet. Cash flow from operations in 2006 and 2005 benefited from increases in the amount of receivables sold under this program by $17 million and $43 million, respectively.

We sponsor noncontributory defined benefit pension plans covering certain terminated employees, vested employees, retirees, and some active OfficeMax, Contract employees. Pension expense was $10.0 million, $13.7 million and $21.7 million for the years ended December 29, 2007, December 30, 2006 and December 31, 2005, respectively. In 2007, 2006 and 2005, we made contributions to our pension plans totaling $19.1 million, $9.6 million and $2.8 million, respectively. Since our active employees who are covered by the plans, as well as all of the inactive participants, are no longer accruing additional benefits, we do not expect our future contributions to these plans to be significant. The minimum required contribution in 2008 is approximately $9.4 million. However, we may elect to make additional voluntary contributions. See "Critical Accounting Estimates" in this

Management's Discussion and Analysis of Financial Condition and Results of Operations for more information.

Investment Activities

Our investing activities used cash of $138.9 million in 2007, $163.9 million in 2006 and $97.3 million in 2005.

Our principal investing activities are related to capital expenditures and acquisitions. Investing activities during 2007 included capital expenditures of $142.1 million. Our capital spending in 2007 primarily related to leasehold improvements, new and remodeled stores, quality and efficiency projects, replacement projects and integration projects, including our previously announced infrastructure improvement initiatives in supply chain and information systems. Details of 2007 capital investment by segment are included in the table below:

	2007 Capital Investment by Segment		
	Acquisitions	Property and Equipment	Total
		(millions)	
OfficeMax, Contract	$ 1.3	$ 42.5	$ 43.8
OfficeMax, Retail		98.3	98.3
	1.3	140.8	142.1
Corporate and Other			
	$ 1.3	$ 140.8	$ 142.1

Investment activities during 2006 included $174.8 million of expenditures for property and equipment and $1.5 million for the acquisitions of businesses by our Contract segment.

Investment activities during 2005 included $152.5 million of expenditures for property and equipment and $34.8 million for the acquisitions of businesses by our Contract segment. These expenditures were partially offset by $93.3 million of proceeds from the sale of restricted investments.

We expect our capital investments in 2008 to total between $200 million and $220 million, excluding acquisitions. Our capital spending in 2008 will be for leasehold improvements, new stores, remodeling projects, quality and efficiency projects, replacement projects and integration projects. In 2008, we expect to open up to 40 new stores, mostly in existing markets, and to remodel approximately 60 stores. All new stores will feature the Advantage store prototype. Remodeled stores will feature key elements of the Advantage store prototype.

Financing Activities

Our financing activities used cash of $62.6 million in 2007, $1.9 million in 2006 and $1,015.3 million in 2005. Common and preferred dividend payments totaled $49.1 million in 2007, $47.6 million in 2006, and $54.2 million in 2005. In all three years, our quarterly cash dividend was 15 cents per common share. During 2007, we received $5.9 million in cash proceeds from stock option exercises and used $11.6 million of cash to reduce debt. In 2006, we received $130.0 million in cash proceeds from stock option exercises. In 2005, we used $780.4 million of cash for the repurchase of 23.5 million shares of our common stock and used $198.7 million of cash to reduce short-term borrowings and long-term debt. Our debt-to-equity ratio, excluding the securitized timber notes, was .17:1 and .21:1 at December 29, 2007 and December 30, 2006, respectively.

Financing Arrangements

We lease our store space and certain other property and equipment under operating leases. These operating leases are not included in debt; however, they represent a significant commitment. Obligations under operating leases are shown in the "Contractual Obligations" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Our debt structure consists of credit agreements, note agreements, and other borrowings as described below. For more information, see "Contractual Obligations" and "Disclosures of Financial Market Risks" in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

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 the Company's existing revolving credit facility and replaced our accounts receivable securitization program. The new 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 December 29, 2007 or December 30, 2006. The maximum amount outstanding under the revolving credit facility was $103.0 million and $122.0 million during 2007 and 2006, respectively. The average amount outstanding under the revolving credit facility was $6.8 million during 2007 and $20.6 million during 2006. 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 $85.5 million as of December 29, 2007 and $75.5 million as of December 30, 2006. As of December 29, 2007, the maximum aggregate borrowing amount available under the revolver was $700.0 million and excess availability under the revolving credit facility totaled $614.5 million. At December 29, 2007, the Company was in compliance with all covenants under the Loan Agreement. The Loan Agreement allows the payment of dividends subject to availability restrictions and so long as no default has occured. 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 year ended December 29, 2007. 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 December 29, 2007, Grupo OfficeMax, our 51%-owned joint venture in Mexico, had short term borrowings of $14.2 million. The short-term borrowings consist of three loans with balances of $4.6 million, $4.6 million and $5.0 million respectively. Two of these loans are promissory notes to be repaid in the first quarter of 2008. The third loan is a simple revolving loan. The financing for Grupo OfficeMax is unsecured with no recourse against the Company.

Timber Notes

In October 2004, we sold our timberlands as part of the Sale and received credit-enhanced timber installment notes receivable in the amount of $1,635 million. In December 2004, we completed a securitization transaction in which our interests in the timber installment notes receivable and related guarantees were transferred to wholly-owned bankruptcy remote subsidiaries that were designated to be qualifying special purpose entities (the "OMXQ's"). The OMXQ's pledged the timber installment notes receivable and related guarantees and issued securitization notes in the amount of $1,470 million. Recourse on the securitization notes is limited to the pledged timber installment notes receivable. The securitization notes are 15-year non-amortizing, and were issued in two equal $735 million tranches paying interest of 5.42% and 5.54%, respectively.

As a result of these transactions, we received $1,470 million in cash from the OMXQ's, and over 15 years will earn approximately $82.5 million per year in interest income on the timber installment notes receivable and incur annual interest expense of approximately $80.5 million on the securitization notes. The pledged timber installment notes receivable and nonrecourse securitization notes will 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 expects 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 original entities issuing the credit enhanced timber installment notes are variable-interest entities (the "VIE's") under Financial Accounting Standards Board ("FASB") Interpretation 46R, "Consolidation of Variable Interest Entities". The OMXQ's are considered to be the primary beneficiary, and therefore, the VIE's are required to be consolidated with the OMXQ's, which are also the issuers of the securitization notes. As a result, the accounts of the OMXQ's have been consolidated into those of their ultimate parent, OfficeMax. The effect of our consolidation of the OMXQ's is that the securitization transaction is treated as a financing, and both the timber notes receivable and the securitization notes payable are reflected in the Consolidated Balance Sheets.

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 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 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 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.

Upon the maturity of the Pledged Instruments in 2008, the Company intends to reinvest the proceeds for a five year term.

Other

We had leased certain equipment at our integrated wood-polymer building materials facility near Elma, Washington under a capital lease. The lease agreement had a base term of seven years and an interest rate of 4.67%. During the first quarter of 2006, we paid $29.1 million to terminate the lease agreement.

Cash Paid for Interest

Cash payments for interest, net of interest capitalized and including interest payments related to the timber securitization notes, were $116.6 million in 2007, $124.1 million in 2006 and $122.6 million in 2005.

Contractual Obligations

In the table below, we set forth our contractual obligations as of December 29, 2007. Some of the figures we include in this table are based on management's estimates and assumptions about these obligations, including their duration, the possibility of renewal, anticipated actions by third parties and other factors. Because these estimates and assumptions are necessarily subjective, the amounts we will actually pay in future periods may vary from those reflected in the table.

	Payments Due by Period				
	2008	**2009-2010**	**2011-2012**	**Thereafter**	**Total**
			(millions)		
Debt(a)(c)	$ 34.8	$ 66.8	$ 35.6	$ 247.0	$ 384.2
Timber notes securitized				1,470.0	1,470.0
Operating leases(b)(e)	371.8	639.8	468.2	583.3	2,063.1
Purchase obligations	32.4	5.6	0.4	0.6	39.0
Other long-term liabilities(d)					
	$ 439.0	$ 712.2	$ 504.2	$ 2,300.9	$ 3,956.3

(a) Included in debt are amounts owed on our note agreements, revenue bonds and credit agreements. These borrowings are further described in Note 12, Debt, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" in this Form 10-K. The table assumes our debt is held to maturity.

(b) We enter into operating leases in the normal course of business. We lease our retail store space as well as certain other property and equipment under operating leases. Some of our retail store leases require percentage rentals on sales above specified minimums and contain escalation clauses. These minimum lease payments do not include contingent rental expense. Some lease agreements provide us with the option to renew the lease or purchase the leased property. Our future operating lease obligations would change if we exercised these renewal options and if we entered into additional operating lease agreements. For more information, see Note 7, Leases, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" in this Form 10-K.

(c)
The current portion of these liabilities is also included.

(d)
Our Consolidated Balance Sheet as of December 29, 2007 includes $200.3 million of liabilities associated with our retirement and benefit plans and $403.0 million of other long-term liabilities. Certain of these amounts have been excluded from the above table as either the amounts are fully or partially funded, or the timing and/or the amount of any cash payment is uncertain.

(e)
Lease obligations for closed facilities are included in operating leases and a liability equal to the fair value of these obligations is included in the Company's Consolidated Balance Sheets. For more information, see Note 3, Integration Activities and Facility Closures, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements & Supplementary Data" in this Form 10-K.

In accordance with an amended and restated joint venture agreement, the minority owner of our subsidiary in Mexico, Grupo OfficeMax, can elect to put its remaining 49% interest in the subsidiary to OfficeMax if earnings targets are achieved. At December 29, 2007, Grupo OfficeMax had met these earnings targets, which 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, the purchase price would be equal to fair value, calculated based on both the subsidiary's earnings for the last four quarters before interest, taxes and depreciation and amortization, and the current market multiples of similar companies. The fair value purchase price is currently estimated at $65 million to $70 million. This contingent obligation is not included in the table above.

In addition to the contractual obligations quantified in the table above, we have other obligations for goods and services entered into in the normal course of business. These contracts, however, are either not enforceable or legally binding or are subject to change based on our business decisions.

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." At December 30, 2006 $180.0 million of sold accounts receivable were excluded from receivables in the accompanying Consolidated Balance Sheet. Our subordinated retained interest in the transferred receivables was $111.2 million December 30, 2006 and is included in receivables, net in the Consolidated Balance Sheet.

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" of this Form 10-K). 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.

Guarantees

Note 17, Commitments and Guarantees, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" in this Form 10-K describes the nature of our guarantees, including the approximate terms of the guarantees, how the guarantees arose, the events or circumstances that would require us to perform under the guarantees and the maximum potential undiscounted amounts of future payments we could be required to make.

Inflationary and Seasonal Influences

We believe that neither inflation nor deflation has had a material effect on our financial condition or results of operations; however, there can be no assurance that we will not be affected by inflation or deflation in the future.

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.

Disclosures of Financial Market Risks

Our debt is predominantly fixed-rate. At December 29, 2007, 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 timber notes, was approximately $109.9 million greater than the amount of debt reported in the Consolidated Balance Sheet. Our timber notes receivable also bear interest at a fixed rate. At December 29, 2007, the estimated fair value of these instruments exceeded their carrying amount by $128.5 million. The estimated fair values of our other financial instruments, including cash and cash equivalents, receivables and short-term borrowings are the same as their carrying values. In the opinion of management, we do not have any significant concentration of credit risks. Concentration of credit risks with respect to trade receivables is limited due to the wide variety of vendors, customers and channels to and through which our products are sourced and sold, as well as their dispersion across many geographic areas.

Changes in interest and currency rates expose us to financial market risk. In the past we have used derivative financial instruments, such as interest rate swaps, rate hedge agreements, forward purchase contracts and forward exchange contracts, to hedge underlying debt obligations or anticipated transactions. We do not use them for trading purposes.

Except as described in the sub-heading "Additional Consideration Agreement" in Note 13, Financial Instruments, Derivatives and Hedging Activities of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" in this Form 10-K, at December 29, 2007, we were not a party to any significant derivative financial instruments.

Additional Consideration Agreement

Pursuant to an Additional Consideration Agreement between OfficeMax and Boise Cascade, L.L.C. entered into in connection with the Sale, we may have been required to make substantial cash payments to, or entitled to receive substantial cash payments from, Boise Cascade, L.L.C. As described below, the Additional Consideration Agreement terminated in the first quarter of 2008. Under the Additional Consideration Agreement, the Sale proceeds were adjusted upward or downward based on paper prices following the Sale, subject to annual and aggregate caps. Specifically, we agreed to pay Boise Cascade, L.L.C. $710,000 for each dollar by which the average market price per ton of a specified benchmark grade of cut-size office paper during any 12-month period ending on September 30 was less than $800. Boise Cascade, L.L.C. agreed to pay us $710,000 for each dollar by which the average market price per ton exceeded $920. Under the terms of the agreement, neither party was obligated to make a payment in excess of $45 million in any one year. Payments by either party were also subject to an aggregate cap of $125 million that declined to $115 million in the fifth year and $105 million in the sixth year.

In connection with recording the Sale in 2004, we recognized a $42 million projected future obligation related to the Additional Consideration Agreement based on internal estimates and published industry paper price projections. We recognized accretion expense totaling approximately $6.0 million in our Consolidated Statements of Income (Loss) in 2006 and 2005.

The Company recorded changes in the fair value of the Additional Consideration Agreement in net income (loss) in the period they occured; however, any potential payments from Boise Cascade, L.L.C. to us were not recorded in net income (loss) until all contingencies had been satisfied, which was generally at the end of a 12-month measurement period ending on September 30. Due to increases in actual and projected paper prices, the change in fair value of this obligation resulted in the recognition of non-operating income in our Consolidated Statement of Income (Loss) of $48.0 million in 2006 and $32.5 million in 2007. Based upon actual and projected paper prices at December 29, 2007 and December 30, 2006, we did not recognize an asset or liability in our Consolidated Balance Sheet related to the Additional Consideration Agreement.

In February 2008, Boise Cascade, L.L.C. sold a majority interest in its paper and packaging and newsprint businesses to Aldabra 2 Acquisition Corp. As a result of this transaction, the Additional Consideration Agreement terminated and no further payments will be required of either party.

The table below provides information about our financial instruments outstanding at December 29, 2007 that are sensitive to changes in interest rates or paper prices. For debt obligations, 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. No amounts receivable or payable under the terms of the Additional Consideration Agreement are reflected in the table due to the termination of that agreement in the first quarter of 2008. Other instruments subject to market risk, such as obligations for pension plans and other postretirement benefits, are not reflected in the table.

Financial Instruments

							Year Ended			
							2007		2006	
	2008	**2009**	**2010**	**2011**	**2012**	**There-after**	**Total**	**Fair Value**	**Total**	**Fair Value**
Debt										
Short-term borrowings	$ 14.2	$	$	$	$	$	$ 14.2	$ 14.2	$	$
Average interest rates	9.0%	%	%	%	%	%	9.0%	%	%	%
Long-term debt										
Fixed-rate debt payments	$ 34.8	$ 50.9	$ 15.9	$ 0.5	$ 35.1	$ 247.0	$ 384.2	$ 382.4	$ 410.6	$ 412.0