OFFICEMAX INC
Form DEF 14A
March 10, 2008

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

SCHEDULE 14A
(Rule 14a-101)
Schedule 14A Information

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

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

OfficeMax Incorporated

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notice and Proxy Statement

OfficeMax Incorporated
Annual Meeting of Stockholders

Naperville, Illinois
Wednesday, April 23, 2008

OFFICEMAX INCORPORATED

NOTICE OF ANNUAL MEETING

Wednesday, April 23, 2008
10:00 a.m., Central Daylight Time

Holiday Inn Select
1801 N. Naper Blvd.
Naperville, Illinois 60563

March 10, 2008

Dear Stockholder:

On behalf of the board of directors, it is my pleasure to invite you to our 2008 annual meeting of stockholders to:

- elect eight directors;
- approve the appointment of KPMG LLP as our independent registered public accounting firm for 2008;
- approve an amendment to the 2003 OfficeMax Incentive and Performance Plan to increase the number of shares of stock available for issuance under the plan to make certain other changes to the plan and re-approve the material terms of the performance goals under the plan; and
- conduct other business properly brought before the meeting.

Stockholders who owned stock at the close of business on February 28, 2008 can vote at the meeting.

Your vote is important regardless of the number of shares of stock you own. Whether you plan to attend or not, please review our proxy materials and request a proxy card to sign, date, and return or submit your proxy or voting instruction card, as applicable, by telephone or through the internet. Instructions for each type of voting are included in the Notice of Internet Availability of Proxy Materials that you received and in this proxy statement. If you attend the meeting and prefer to vote at that time, you may do so.

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

Sincerely yours,

Sam K. Duncan
Chairman of the Board and
Chief Executive Officer

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OfficeMax Incorporated

OfficeMax Incorporated ("OfficeMax," the "company," or "we") is a leader in both business-to-business office products solutions and retail office products. We provide office supplies and paper, in-store print and document services, technology products and solutions and furniture to consumers, and to large, medium and small businesses. Our customers are served by approximately 35,000 associates through direct sales, catalogs, the Internet and a network of retail stores located throughout the United States, Canada, Australia, New Zealand and Mexico. Our common stock is traded on the New York Stock Exchange ("NYSE") under the ticker symbol OMX. Our corporate headquarters is located at 263 Shuman Boulevard, Naperville, Illinois 60563, and our website address is www.officemax.com.

Annual Meeting Information

Proxy Statement

This proxy statement summarizes information we must provide to you under the rules of the Securities and Exchange Commission ("SEC"). It is designed to assist you in voting your shares of stock. We have provided this proxy statement in connection with the solicitation of proxies by our board of directors for the 2008 annual meeting of stockholders. We will begin mailing notice of the availability of these proxy materials on or about March 10, 2008.

Voting

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

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

For stockholders of record, voting instructions submitted via mail, telephone or the Internet must be received by Broadridge, our independent tabulator, by 11:59 p.m. Eastern Time on April 22, 2008. Submitting your vote via mail, telephone or the Internet will not affect your right to vote in person should you decide to attend the annual meeting.

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

Stockholders of record can vote by:

- returning a completed proxy card by mail to our independent tabulator, Broadridge, by 11:59 p.m. Eastern Time on April 22, 2008;
- submitting voting instructions via the Internet or telephone by 11:59 p.m. Eastern Time on April 22, 2008; or
- completing a ballot and returning it to the inspector of election during the annual meeting.

If you hold your stock in street name, you can vote by submitting a voting instruction card to your broker or other institution that sent your Notice of Internet Availability of Proxy Materials to you in accordance with their procedures.

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

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

- election of the eight nominees to serve on our board of directors;
- appointment of KPMG LLP as our independent registered public accounting firm for 2008; and
- approval of an amendment to the 2003 OfficeMax Incentive and Performance Plan (the "OMIPP") to increase the number of shares of stock available for issuance under the plan and to make certain other changes to the plan and re-approval of the material terms of the performance goals under the plan.

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

- subsequently submit a new proxy to the independent tabulator by mail, telephone or through the Internet prior to 11:59 p.m. Eastern Time on April 22, 2008; or
- attend the annual meeting and vote in person by ballot.

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

Each share of OfficeMax stock is entitled to one vote. As of February 28, 2008 (the record date for determining stockholders entitled to vote at the meeting), we had the following shares of stock outstanding and entitled to vote:

Type/Series of Stock	Number of Shares Outstanding
Common stock	75,904,885
Convertible preferred stock, Series D (ESOP)	1,061,160

Employees Who Are Stockholders

If you are a current or former employee of OfficeMax or one of its subsidiaries and you participate in the Employee Stock Ownership Plan ("ESOP") fund or the OfficeMax common stock fund in the OfficeMax Savings Plan ("Savings Plan"), you may instruct the plans' trustees how to vote the shares of stock allocated to you under these plans. You can instruct the voting of your stock by requesting a voting instruction card to sign, date, and return or submitting your vote by telephone or through the internet. Please see the Notice of Internet Availability of Proxy Materials we sent to you or this proxy statement for specific instructions on how to provide voting instructions by any of these methods. Please note that your voting instructions for stock you hold in the ESOP fund or the Savings Plan must be returned by 11:59 p.m. Eastern Time on April 18, 2008.

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

Confidential Voting Policy

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

Votes Necessary for Action to be Taken

A quorum is necessary to hold a valid meeting. A quorum will exist if stockholders holding a majority of the shares of stock issued and outstanding and entitled to vote at the meeting are present in person or by proxy. The election inspector will treat abstentions and "broker non-votes" as shares of stock that are present and entitled to vote for purposes of determining the presence of a quorum. A "broker non-vote" occurs when a broker holding stock for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Brokers will not have discretionary voting power with respect to the proposal to amend our OMIPP to increase the number of shares of stock available for issuance under the plan and to make certain other changes to the plan. Abstentions and withheld votes, including broker non-votes, do not count as votes cast either for or against any of the proposals.

The eight nominees who receive the greatest number of votes at the annual meeting will be elected as directors.

The proposal for appointing KPMG LLP as our independent registered public accounting firm for 2008 will be approved if the number of votes cast in favor of the proposal exceeds the number of votes cast against the proposal.

The proposal to amend our OMIPP to increase the number of shares of stock available for issuance under the plan and to make certain other changes to the plan and re-approve the material terms of the performance goals under the plan will be approved if the number of votes cast in favor of the proposal exceeds the number of votes cast against the proposal.

Proxy Solicitation

We pay the expenses of soliciting proxies. OfficeMax has retained D.F. King & Company ("D.F. King") to assist in the solicitation of proxies. D.F. King will receive an aggregate fee of $18,500, plus out-of-pocket expenses. In addition to the solicitation of proxies by use of the mail, employees of D.F. King, and our directors, officers and regular employees, may solicit the return of proxies by personal interview, mail, electronic mail, facsimile, telecopy, telegram, telephone, and internet. Our officers and employees will not receive additional compensation. Brokerage houses and other custodians, nominees and fiduciaries will be requested to forward solicitation material to the beneficial owners of stock. OfficeMax has agreed to indemnify D.F. King against certain liabilities arising out of or in connection with this engagement.

Items You May Vote On

1. *Election of Directors*

Each member of our board of directors is elected each year for a one year term.

The persons named in the enclosed proxy intend to vote the proxy for the election of each of the eight nominees, unless you indicate on the proxy card that your vote should be withheld from any of the nominees.

Our board of directors has proposed eight nominees for election as directors with terms expiring in 2009 at the annual meeting: Dorrit J. Bern, Warren F. Bryant, Joseph M. DePinto, Sam K. Duncan, Rakesh Gangwal, Francesca Ruiz de Luzuriaga, William J. Montgoris and David M. Szymanski. Detailed information on all the nominees is provided beginning on page 15. We expect that all nominees will be able to serve if elected. If any nominee is not able to serve, either we will vote the proxies for another nominee recommended by our Governance and Nominating Committee and nominated by the board of directors or the board may reduce the number of directors to be elected at the meeting.

Each nominee elected as a director will continue in office until his successor has been elected and qualified, or until earlier termination of his or her service.

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

2. *Appointment of Independent Registered Public Accounting Firm*

Our Audit Committee appointed KPMG LLP to serve as our independent registered public accounting firm for 2008, subject to stockholder approval. Representatives of KPMG LLP will be present at the annual meeting to answer questions. They will also have the opportunity to make a statement if they desire to do so.

The following table sets out the various fees for services provided by KPMG LLP in 2006 and 2007. The Audit Committee pre-approved all of these services.

Annual Fees for 2006 and 2007

Description	Amounts	
	2007	2006
Audit Fees (1)	$ 3,757,365	$ 3,971,635
Audit-Related Fees (2)	250,339	262,000
Tax Fees (3)	9,168	60,930
All Other Fees		

(1) Audit fees relate to professional services rendered in conjunction with the audit of our annual financial statements, the review of our quarterly financial statements, the audit of our internal controls over financial reporting, statutory filings and other services pertaining to SEC matters.

(2) Audit-related fees relate to attestation and other services traditionally performed by companies' independent accountants, such as audits of our employee benefit plans, special procedures required to meet certain regulatory requirements and other miscellaneous assurance services.

(3)
Tax fees relate to tax compliance services surrounding transactions that have already occurred. We use these services to document, compute, and obtain government approval for amounts to be included in tax filings.

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

The Audit Committee is responsible for recommending, for stockholder approval, our independent registered public accounting firm. Should stockholders fail to approve the appointment of KPMG LLP, the Audit Committee would undertake the task of reviewing the appointment. Nevertheless, given the difficulty and expense of changing independent accountants mid-way through the year, there is no assurance that a firm other than KPMG LLP could be secured to deliver any or all of the company's independent auditing services required in 2008. The Audit Committee, however, would take the lack of stockholder approval into account when recommending an independent registered public accounting firm for 2009.

Our board of directors unanimously recommends a vote "FOR" the approval of KPMG LLP as our independent registered public accounting firm for 2008.

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

In 2003, our board of directors adopted and our stockholders approved the 2003 OfficeMax Incentive and Performance Plan (the "OMIPP"). The board believes the OMIPP is essential to maintain a balanced and competitive compensation program. A total of 7,000,000 shares of our common stock had been reserved for issuance under the plan. On February 14, 2008, the board amended and restated the plan, subject to stockholder approval, effective as of April 23, 2008 (the "Effective Date"), to increase the number of shares of stock available for issuance under the plan by 5,800,000 shares (from 7,000,000 to 12,800,000), to extend the term of the plan to April 23, 2018 and to make certain other amendments to the plan.

As of February 27, 2008, 4,162,993 shares were reserved for issuance under the OMIPP in connection with 1,593,195 outstanding stock options (with a weighted average exercise price of $31.84 and a weighted average remaining term of 3.974 years) and 2,569,798 outstanding shares to be issued pursuant to other awards made pursuant to the OMIPP (including restricted stock units). As of February 27, 2008, 2,269,796 shares remained available for future issuance under the plan.

Proposed Plan Amendments

At the meeting, stockholders will be requested to consider and approve the proposed amendment to the OMIPP to increase the number of shares of our common stock reserved for issuance as of the Effective Date under the plan from 7,000,000 to 12,800,000, to extend the term of the plan to April 23, 2018 and to make certain other amendments to the plan, including the following:

- amendment to provide for a "fungible pool" method of accounting for awards;
- amendment to allow the Executive Compensation Committee to make changes to the plan and award agreements as necessary to comply with applicable foreign laws;

amendment to include a minimum vesting period of no less than one year for options and stock appreciation rights, except with respect to substitute awards for grants made under a plan of an acquired business entity;

amendment to include a restriction period for restricted stock and restricted stock units of three years for time-based awards in excess of 5% of the number of shares of stock available for awards under the plan;

amendment to include a minimum performance period of no less than one year for share-based or cash-based performance awards (excluding annual incentive awards);

amendment to provide that stock bonuses are made only in payment of earned incentive compensation;

amendment to provide an increased annual limit on incentive awards, but remove the ability to defer amounts over such limit;

amendment to allow participants to make transfers to tax-exempt charitable organizations and remove the Executive Compensation Committee's ability to approve transfers to other individuals or entities;

amendment to modify the change in control provisions, other than for annual incentive awards, to require (unless otherwise provided in an applicable agreement) both a "change in control" and a "qualified termination" (as such terms are defined in the OMIPP or other applicable agreement) before acceleration of vesting, except in cases where an acquiring entity does not assume the awards, in which case only a change in control is required and not a qualified termination. In the event of a change in control, annual incentive awards will be deemed to be earned on a pro rata basis;

amendment to provide that, in the event of a change in control (unless otherwise provided in an applicable agreement), performance goals will be deemed achieved at target levels and all other terms and conditions met with award payout prorated for the portion of the performance period completed as of the date of the qualifying termination or change in control and that awards of performance shares and performance units will be prorated similarly;

amendment to provide for a method to satisfy withholding equal to a fractional share; and

amendment of certain provisions to comply with changes to the Internal Revenue Code of 1986, as amended (the "Code") and other applicable rules and regulations.

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

Approval of the amended OMIPP will also serve to re-approve the material terms of the performance goals under the OMIPP as necessitated under Section 162(m) of the Internal Revenue Code, including the eligible class of employees, performance criteria and maximum amounts payable pursuant to performance-based awards, as described below. The effectiveness of the 2003 stockholder approval of the material terms of the OMIPP's performance goals expires at the annual stockholder meeting. Therefore, if the amended OMIPP and underlying performance goals are not approved, some of the compensation paid to the company's senior executives may not be deductible, resulting in additional taxable income for the company.

Our board of directors therefore unanimously recommends approval of the amendment, including re-approval of the material terms of the performance goals under the plan.

History and Operation of the OMIPP

The OMIPP is intended to:

- attract, motivate, reward and retain the management talent critical to achieving our business goals;
- link a portion of each participant's compensation to our performance; and
- encourage ownership of our common stock by participants.

The OMIPP permits grants of annual incentive awards, stock, restricted stock, restricted stock units, performance stock, performance units, stock appreciation rights and stock options.

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

Material Features of the OMIPP

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

- stock options (including both incentive stock options within the meaning of Section 422 of the Internal Revenue Code and nonqualified stock options, which are options that do not qualify as incentive stock options);
- stock appreciation rights ("SARs");
- restricted stock;
- restricted stock units;
- performance units;
- performance shares;
- annual incentive awards; and
- stock bonus awards.

A total of 12,800,000 shares of our common stock are reserved for issuance under the OMIPP. These shares of stock are subject to adjustment upon the occurrence of any stock dividend or other distribution, recapitalization, stock split, subdivision, reorganization, merger, consolidation, combination, share repurchase, share exchange or other similar corporate transaction or event. Any shares of stock that may be granted under the OMIPP to any person pursuant to an option or SAR grant will be counted against this limit as one share for every one share granted. All other shares of stock granted under the OMIPP will be counted against this limit as two and one-quarter (2.25) shares for every one share granted. Shares of stock that are subject to an award that is cancelled, expired, forfeited, or otherwise settled without the issuance of shares of stock (including awards granted prior to the Effective Date and awards granted under the 1984 Key Executive Stock Option Plan) will be available for issuance under the OMIPP. Shares of stock reserved for issuance upon grant of an option or SAR will be added back to the reserve as one share for every one share cancelled or forfeited. All other shares of stock granted under the OMIPP will be added back to the reserve as two and one-quarter (2.25) shares for every one share cancelled or forfeited. Substitute awards for grants made under a plan of an acquired entity will not reduce the shares of stock available for issuance under the OMIPP.

As of February 20, 2008, approximately 31 of our executive officers, 778 key employees and 8 nonemployee directors are eligible to receive awards under the OMIPP at the discretion of the Executive Compensation Committee of the board of directors. The OMIPP restricts the number of stock options, stock appreciation rights, restricted stock, restricted stock units and performance shares that can be granted to a participant during any fiscal year, subject to adjustment for changes in capitalization as outlined above. In addition, the OMIPP also limits the amount that may be paid to a participant pursuant to annual incentive awards or performance units granted in a single fiscal year.

The OMIPP is intended to provide performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code. Section 162(m) generally limits the deduction by an employer of annual compensation paid to each covered employee (i.e., the chief executive officer and the next three highest paid executive officers employed at the end of the year, other than the chief financial officer) to $1 million. The Section 162(m) limitations do not apply to performance-based compensation if specific requirements are met, including obtaining stockholder approval of the compensation plan. If our stockholders approve the amended and restated OMIPP and other Section 162(m) conditions relating to performance-based compensation are satisfied, compensation of covered employees pursuant to awards under the OMIPP will continue to be unaffected by the Section 162(m) limitations, other than for restricted stock and restricted stock units that vest solely on continued employment. However, if our stockholders do not approve the amended and restated OMIPP, including the material terms of the performance goals, some of the compensation paid to the company's senior executives may not be deductible, resulting in additional taxable income for the company.

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

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

Stock options

Stock options entitle the holder to purchase shares of our common stock during a specified period at a purchase price set by the Executive Compensation Committee. Except for substitute awards for grants made under a plan of an acquired entity, the purchase price may not be less than 100% of the fair market value of the common stock on the grant date (with respect to incentive stock options, 110% of the fair market value on the date of grant for any participant who owns, within the meaning of Code Section 424(d), stock of the company possessing more than 10% of the total combined voting power of all classes of stock of the company, any subsidiary or any affiliate). Each option granted under the OMIPP will be exercisable for a period of seven years from the date of grant or for a lesser period if the Executive Compensation Committee so determines. Participants exercising an option may pay the exercise price by any lawful method permitted by the

Executive Compensation Committee. The vesting period for stock options must be no less than one year, except with respect to substitute awards for grants made under a plan of an acquired business entity. Incentive stock options may not be granted under the OMIPP on or after April 23, 2018. No participant may receive more than 1,500,000 stock options in any fiscal year. Without stockholder approval, the exercise price of stock options may not be reduced, stock options may be not be cancelled and replaced with either other stock options with a lower exercise price or another award under the OMIPP or another company plan and, except in the event of a change in control, stock options may not be cancelled for a cash payment.

Stock appreciation rights

A stock appreciation right is the right, denominated in shares of stock, to receive upon exercise, without payment to us, an amount equal to the excess of the fair market value of our stock on the exercise date over the fair market value of our stock on the grant date. Payment may be made in cash, our stock or a combination of cash and stock. The Executive Compensation Committee may grant stock appreciation rights to participants as either freestanding awards or as awards related to stock options. For stock appreciation rights related to an option, the terms and conditions of the grant will be substantially the same as the terms and conditions applicable to the related option, and exercise of either the stock appreciation right or the option will cause the cancellation of the other, unless otherwise determined by the Executive Compensation Committee. The Executive Compensation Committee will determine the terms and conditions applicable to awards of freestanding stock appreciation rights, except that the term of a stock appreciation right may not exceed seven years from the date of grant. The vesting period for stock appreciation rights must be no less than one year, except with respect to substitute awards for grants made under a plan of an acquired business entity. No participant may receive more than 1,500,000 stock appreciation rights in any fiscal year. Without stockholder approval, the exercise price of stock appreciation rights may not be reduced, stock appreciation rights may be not be cancelled and replaced with either other stock appreciation rights with a lower exercise price or another award under the OMIPP or another company plan, and, except in the event of a change in control, stock appreciation rights may not be cancelled for a cash payment.

Restricted stock

Restricted stock is our stock that is transferred or sold by us to a participant and that is subject to a substantial risk of forfeiture and to restrictions on sale or transfer for a period of time. The Executive Compensation Committee will determine the amounts, terms and conditions (including the attainment of performance goals) of any grant of restricted stock. Except for substitute awards for grants made under a plan of an acquired entity, the restriction period for time-based awards in excess of 5% of the total number of shares of stock available for awards under the plan shall not be less than three years (with restrictions lapsing on a pro-rata basis) and for performance goal-based awards the performance period may not be less than one year. Except for restrictions on transfer (and any other restrictions that the Executive Compensation Committee may impose), participants will have all the rights of a stockholder with respect to the restricted stock. Unless the Executive Compensation Committee determines otherwise, a participant's termination of employment during the restricted period will result in forfeiture of all shares of stock subject to restrictions. No participant may receive more than 1,500,000 shares of restricted stock in any fiscal year.

Restricted stock units

Restricted stock units are similar to restricted stock, except that the shares of stock are not issued to the participant until after the end of the restriction period or achievement of performance criteria and upon satisfaction of any other applicable conditions. Except for substitute awards for grants made under a plan of an acquired entity, the restriction period for time-based awards in excess of 5% of the total number of shares of stock available for awards under the plan shall not be less than three years (with restrictions lapsing on a pro-rata basis) and for performance goal-based awards the performance period may not be less than one year. Restricted stock units may also be paid in cash rather than stock or in a combination of cash and stock. No participant may receive more than 1,500,000 restricted stock units in any fiscal year.

Performance units

Performance units, which are the right to receive a payment upon the attainment of specified performance goals, may also be awarded by the Executive Compensation Committee. The Executive Compensation Committee will establish the applicable performance goals at the time the units are awarded. The performance period for award of performance units shall be not less than one year. Payment may be made in cash, our stock or a combination of cash and stock, at the Executive Compensation Committee's discretion. The maximum amount that may be paid to a participant for performance units granted in a single fiscal year is $4,000,000.

Performance shares

Performance shares represent the right to receive a payment at a future date based on the value of our common stock in accordance with the terms of the grant and upon the attainment of specified performance goals. The Executive Compensation Committee will establish the performance goals and all other terms applicable to the grant. The performance period for award of performance shares shall not be less than one year. Payment may be made in cash, our stock or a combination of cash and stock, at the Executive Compensation Committee's discretion. No participant may receive more than 1,500,000 performance shares in any fiscal year.

Annual incentive awards

Annual incentive awards are payments based on the attainment of performance goals specified by the Executive Compensation Committee. Awards are calculated as a percentage of salary, based on the extent to which the performance goals are met during the year, as determined by the Executive Compensation Committee. Awards are paid in cash, unless the Executive Compensation Committee determines otherwise. The maximum amount of an annual incentive award that may be paid to a participant in a single fiscal year is $5,000,000.

Stock bonuses

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

Performance goals

Awards of restricted stock, performance units, performance shares, annual incentive awards and other awards under the OMIPP may be subject to the attainment of performance goals relating to one or more business criteria within the meaning of Section 162(m) of the Internal Revenue Code. These goals may include or be based upon, without limitation: sales; gross revenue; gross margins; internal rate of return; ratio of debt to debt plus equity; profit before tax; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; earnings per share; operating earnings; economic value added; ratio of operating earnings to capital spending; cash flow; free cash flow; net operating profit; net income; net earnings; net sales or net sales growth; price of our common stock; return on capital, net assets, equity or stockholders' equity; segment income; market share; productivity ratios; expense targets; working capital targets; or total return to stockholders. Performance goals may be used to measure our performance as a whole or the performance of any Subsidiary (as defined in the OMIPP), business unit or segment, may include or exclude (or be adjusted to include or exclude) extraordinary items, the impact of charges for restructurings, discontinued operations and other unusual and non-recurring items, and the cumulative effects of tax or accounting changes, each as defined by generally accepted accounting principles and as identified in the financial statements, notes to the financial statements, management's discussion and analysis or other SEC filings, and may reflect absolute entity performance or a relative comparison of entity performance to the performance of a peer group, index or other external measure.

Administration of the plan

The OMIPP is administered by the Executive Compensation Committee of our board of directors, each of whom is a "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934, an "outside director" under Section 162(m) of the Code and an "independent director" under the rules of the New York Stock Exchange. The Executive Compensation Committee has the authority to determine the terms and conditions of awards, and to interpret and administer the OMIPP. The Executive Compensation Committee also has the authority to modify the OMIPP or adopt sub-plans as desirable or necessary to comply with laws of foreign countries in which the OMIPP is offered. The Executive Compensation Committee may delegate the right to make awards and otherwise take action on its behalf under the OMIPP to our employees and, to the extent permitted by law, the Executive Compensation Committee may give authority to executive officers to make awards to employees who are not directors or executive officers.

Amendment and termination of the plan

The board of directors may amend the OMIPP at any time and may make adjustments to the OMIPP and outstanding options, without stockholder approval, to reflect a stock split, stock dividend, recapitalization, merger, consolidation or other corporate events. Our stockholders must approve amendments that:

- change the number of shares of stock subject to the OMIPP;
- decrease the grant or exercise price of any stock-based award to less than the fair market value of our common stock on the date of grant;
- materially increase the cost of the OMIPP to the company or the benefits to participants;
- allow for the exercise price of stock options or stock appreciation rights to be reduced, stock options or stock appreciation rights to be cancelled and replaced with either a new award of stock options or stock appreciation rights with a lower exercise price or another award, or cancelled for a cash payment (other than in connection with a change in control); or
- are required by applicable law to be approved by our stockholders.

The board of directors may terminate the OMIPP at any time. The OMIPP, however, will remain in effect as awards may extend beyond that time in accordance with their terms.

Change in control

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

Transferability

A participant's rights in an award granted under the OMIPP may be assigned or transferred in the event of death, subject to certain conditions. In addition, subject to applicable law, the Executive Compensation Committee's approval and any specified conditions, a participant may elect to transfer an award under the OMIPP to immediate family members (including a trust for the benefit of immediate family members or a partnership in which immediate family members are the only partners) or a qualified tax-exempt charitable organization, provided that no transfer may be made in exchange for consideration.

Anti-Dilution Adjustment

If our outstanding shares of common stock are changed by reason of any recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination, share repurchase, share exchange, reclassification, or other similar corporate transaction or event, the appropriate adjustments will be made in the maximum number or kind of securities that may be issued under the OMIPP and to any participate within the fiscal year and in the terms of certain outstanding awards, including the number of shares or securities subject to awards and the exercise price or other stock price or share-related provisions of awards.

Federal Income Tax Consequences

The following discussion covers the principal United States federal income tax consequences with respect to awards that may be granted under the OMIPP. It is a brief summary only. This summary does not describe state, local or foreign tax consequences of an individual's participation in the OMIPP.

Stock options

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

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

A participant granted an incentive stock option has no income tax consequences at the time of grant or exercise (except for purposes of computing liability for alternative minimum tax, if any), and the company is not entitled to take a deduction. Upon sale of the underlying stock after satisfying applicable holding period requirements, any amount realized in excess of the exercise price paid will be taxed to the participant as capital gain. If the holding periods are not satisfied, the participant will realize ordinary income equal to the difference between the fair market value of the common stock purchased and the exercise price. The company will also be entitled to a deduction in the amount of ordinary income realized by the participant.

Stock appreciation rights

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

Restricted stock

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

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

Other

Upon the payment of an award of restricted stock units, performance shares, or performance units, or an annual incentive award or stock bonus, the participant will recognize ordinary income equal to the amount of cash received and the fair market value of any stock received. The company generally will be entitled to a federal income tax deduction in the same amount.

Additional Information

As of February 28, 2008, the aggregate numbers of shares of common stock subject to options granted to the following persons under the OMIPP are as follows: (i) Sam K. Duncan, Chairman of the Board and Chief Executive Officer, 250,000 shares; (ii) Don Civgin, Executive Vice President, Finance and Chief Financial Officer, 50,200 shares; (iii) Phillip P. DePaul, Senior Vice President, Controller and Chief Accounting Officer, zero shares; (iv) Sam Martin, Executive Vice President and Chief Operating Officer, 35,000 shares, (v) Michael D. Rowsey, former President, Contract, zero shares; (vi) Ryan T. Vero, Executive Vice President and Chief Merchandising Officer, zero shares; (vii) all current executive officers as a group, 335,200 shares; (viii) all current directors (who are not executive officers) as a group, 58,383 shares; and (ix) all employees (including all current officers who are not executive officers) as a group, 1,381,659 shares. The number of any other awards that will be granted to participants under the OMIPP are not currently determinable. The closing sale price per share of our Common Stock on The New York Stock Exchange on February 28, 2008 was $22.37.

4. Other Matters to be Presented at the Meeting

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

Board of Directors

Structure

Upon the Governance and Nominating Committee's recommendation, the board recommends eight directors for election in 2008, each to hold office until the annual meeting of stockholders in 2009 or until the earlier termination of his or her service. Stockholders have previously elected Messrs. Bryant, DePinto, Duncan, Gangwal, Szymanski, Ms. Ruiz de Luzuriaga and Ms. Bern to the board of directors. William J. Montgoris, appointed by the board as a director in 2007, has not previously been elected by stockholders.

We prepared the following director summaries using information furnished to us by the nominees:

Dorrit J. Bern, 57, joined our board of directors in 2006. Ms. Bern has been the chairman, president and chief executive officer of Charming Shoppes, Inc., a multichannel specialty women's apparel retailer, since 1997. Ms. Bern also serves as a member of the board of directors of Southern Company, an electric energy producer.

Warren F. Bryant, 62, joined our board of directors in 2004. In 2002, Mr. Bryant became a director and the president and chief executive officer of Longs Drug Stores Corporation, a retail drug store chain on the West Coast and in Hawaii. He became the chairman of the board of Longs Drug Stores in 2003. Mr. Bryant served as senior vice president of The Kroger Co., a retail grocery chain, from 1999 to 2002. From 1996 to 1999, he served as president and chief executive officer of Dillon Companies, Inc., a retail grocery chain and subsidiary of The Kroger Co. Mr. Bryant also serves as the director, vice chairman and treasurer of The National Association of Chain Drug Stores.

Joseph M. DePinto, 45, joined our board of directors in 2006. Mr. DePinto has been the president and chief executive officer of 7-Eleven, Inc., a convenience retailer, since December 2005. Prior to joining 7-Eleven, Inc., Mr. DePinto served as the president of GameStop Corp., a video game and entertainment software retailer, beginning in March 2005. Mr. DePinto was the vice president of operations of 7-Eleven from March 2002 until he joined GameStop Corp. in March 2005. Prior to March 2002, Mr. DePinto was senior vice president and chief operating officer of Thornton Quick Café & Market.

Sam K. Duncan, 56, joined our board of directors in 2005. Mr. Duncan became the chairman and chief executive officer of the company in 2005. Prior to his election as chief executive officer of the company, Mr. Duncan was president and chief executive officer of ShopKo Stores, Inc., a multi-department retailer, from October 2002 to April 2005. From 1992 to 2002, Mr. Duncan held various merchandising and executive positions with Fred Meyer, Inc. (a division of The Kroger Co.) a grocery retailer, including: president of Fred Meyer from February 2001 to October 2002 and president of Ralph's Supermarkets from 1998 to 2001. Mr. Duncan began his retail career in the supermarket industry in 1969 with Albertson's, Inc., where he held various merchandising positions until 1992. Mr. Duncan currently serves on the Board of Trustees of North Central College. He is also a director of Nash-Finch Company.

Rakesh Gangwal, 54, joined our board of directors in 1998. From June 2003 to August 2007, Mr. Gangwal was the chairman, president, and chief executive officer of Worldspan Technologies, Inc., a provider of travel technology and information services to the travel and transportation industry. From 2002 to 2003, Mr. Gangwal was involved in various personal business endeavors, including private equity projects and consulting projects. He was the president and chief executive officer of US Airways Group, Inc., the parent corporation for US Airways' mainline jet and express divisions as well as several related companies, from 1998 until his resignation in 2001. Mr. Gangwal was also the president and chief executive officer of US Airways, Inc., the main operating arm of US Airways Group, from 1998 until his resignation. He was the president and chief operating officer of US Airways Group, Inc., and US Airways, Inc., from 1996 to 1998. On August 11, 2002, US Airways Group, Inc., and its seven domestic subsidiaries, including its principal operating subsidiary, US Airways, Inc., filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia. US Airways Group, Inc., and its subsidiaries emerged from bankruptcy protection under the First Amended Joint Plan of Reorganization of US Airways Group, Inc., and Affiliated Debtors and Debtors-in-Possession, as Modified, which became effective on March 31, 2003. Mr. Gangwal is also a director of PetSmart, Inc.

William J. Montgoris, 61, joined our board of directors in July 2007. Mr. Montgoris was the chief operating officer of The Bear Stearns Companies Inc., a leading global investment banking, securities trading and brokerage firm, from 1993 until his retirement in 1999. Prior to holding this position, he served Bear Stearns as its chief financial officer from 1987 to 1993 and as a senior managing director from 1985 to 1987. Mr. Montgoris currently serves on the Board of Trustees of The Reserve Funds, a family of money market mutual funds, and the Board of Trustees of Covenant House, Hackensack Medical Center and St. John's University. He is also a director of Carters, Inc. and Stage Stores, Inc.

Francesca Ruiz de Luzuriaga, 53, joined our board of directors in 1998. From 1999 to 2000, Ms. Luzuriaga served as the chief operating officer of Mattel Interactive, a business unit of Mattel, Inc., one of the major toy manufacturers in the world. Prior to holding this position, she served Mattel as its executive vice president, worldwide business planning and resources, from 1997 to 1999 and as its chief financial officer from 1995 to 1997. Since leaving Mattel in 2000, Ms. Luzuriaga has been working as an independent business development consultant. Until October 2005 she was also a director of Providian Financial Corporation.

David M. Szymanski, 51, joined our board of directors in 2004. Dr. Szymanski is the JCPenney Chair of Retailing Studies at Texas A&M University, where he has served since 1987. Dr. Szymanski served as the Director of the Center for Retailing Studies at Texas A&M University from 2000 to 2006. He has held senior positions at the University since 1987. Dr. Szymanski is also a director of Zale Corporation.

Director Independence

The board has determined that, except for Mr. Duncan, the nominees for election as directors are, and all members of the board in 2007 were, independent within the meaning of the rules of the New York Stock Exchange ("NYSE").

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

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

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

- been affiliated with or employed by (or is an immediate family member of a person who is affiliated with or employed in a professional capacity by) the present or former internal or external auditor of OfficeMax;

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

- received (or had an immediate family member who has received) more than $100,000 per year in direct compensation from OfficeMax other than director and committee fees or pension or other deferred compensation for prior services; and

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

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

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

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

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

In 2007, a number of companies for which our directors also serve as officers or directors purchased office supplies from OfficeMax in the ordinary course of business. None of these sales accounted individually for more than the greater of $1 million or 2% of our revenues or the purchasing entity's revenues in 2007.

Additionally in 2007, we purchased a variety of goods and services from companies for which our directors also serve as officers or directors. These purchases were made in the ordinary course of business. None of these purchases accounted for more than the greater of $1 million or 2% of our revenues or the selling entity's revenues in 2007, and none of these purchases were material to our business.

All of the transactions described above were entered into in the ordinary course of business and involved the purchase or provision of goods or services on a non-exclusive basis and at arms-length negotiated rates. Our board has determined that these transactions are not material relationships under the NYSE's Corporate Governance Listing Standards and do not otherwise impair the independence of our directors.

Related Transactions

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

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

Director Compensation

The following table presents compensation information for the current independent members of our board of directors: Ms. Dorrit J. Bern and Ms. Francesca Ruiz de Luzuriaga, and Messrs. Warren F. Bryant, Joseph M. DePinto, Rakesh Gangwal, William J. Montgoris and David M. Szymanski. In addition, the table also includes compensation information for Mr. Brian C. Cornell, who resigned from the board in February 2008, Mr. Gary G. Michael, who is not standing for re-election in April 2008 and Mr. Monte R. Haymon, who resigned from the board in January 2007. Compensation for Mr. Sam K. Duncan, our Chief Executive Officer, is set forth in the "Summary Compensation Table" on page 51. Mr. Duncan does not receive compensation for service as a director.

**DIRECTOR COMPENSATION
FOR FISCAL YEAR ENDED DECEMBER 29, 2007**

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($) (3) (c)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (4) (f)	All Other Compensation ($) (g)	Total ($) (h)
Dorrit J. Bern (1)	$ 89,000	$ 75,006			$ 164,006
Warren F. Bryant (1)	$ 103,384	$ 75,006	$ 1,423		$ 179,813
Brian C. Cornell (1)	$ 93,000	$ 75,006	$ 3,920		$ 171,926
Joseph M. DePinto (1)	$ 96,000	$ 75,006			$ 171,006
Rakesh Gangwal (1)	$ 101,616	$ 75,006			$ 176,622
Monte R. Haymon (2)(5)	$ 5,257			$ 62,271	$ 67,528
Gary G. Michael	$ 115,000	$ 75,006	$ 9,970		$ 199,976
William J. Montgoris (2)	$ 42,500	$ 75,006			$ 117,506
Francesca Ruiz de Luzuriaga	$ 126,000	$ 75,006	$ 2,730		$ 203,736
David M. Szymanski	$ 118,000	$ 75,006			$ 193,006

(1) Ms. Bern and Messrs. Bryant, Cornell, DePinto, and Gangwal elected to receive a percentage of their cash fees in the form of restricted stock units ("RSUs") pursuant to the OMIPP. For each director, the number of RSUs issued in lieu of fees was determined by dividing the amount of cash fees foregone by $20.66, the closing price of our common stock as reported on the consolidated tape of the New York Stock Exchange on the last trading day of the calendar year. On December 31, 2007, Ms. Bern was issued 4,307 RSUs in lieu of $89,000 in fees; Mr. Bryant was issued 2,395 RSUs in lieu of $49,500 in fees; Mr. Cornell was issued 4,501 RSUs in lieu of $93,000 in fees; Mr. DePinto was issued 2,323 RSUs in lieu of $48,000 in fees; and Mr. Gangwal was issued 5,130 RSUs in lieu of $106,000 in fees. The difference between the fees foregone and the value of the RSUs issued was paid in cash in lieu of issuing fractional RSUs.

(2)

William J. Montgoris joined the board in July 2007. Monte R. Haymon resigned from the board in January 2007.

(3)

The figures in this column represent the aggregate dollar amount of compensation cost recognized with respect to share based payments. Each non-employee director was granted 2,229 RSUs under the OMIPP on July 26, 2007. These RSUs vested on January 26, 2008. The RSUs are payable in common stock six months following a director's date of termination of board service for any reason. The grant date fair value of each award is $75,006. See Note 15 "Shareholders' Equity" to Notes to Consolidated Financial Statements in the company's Annual Report on Form 10-K for the year ended December 29, 2007 for a discussion of the assumptions used by the company to calculate share based compensation expense in accordance with the provisions of SFAS No. 123R, "Share Based Payment" ("SFAS No. 123R"). As of December 29, 2007, the directors had the following outstanding option and stock awards. All vesting requirements have been met with respect to these outstanding securities:

Name	Outstanding Option Awards (a)	Outstanding Stock Awards (b)
Dorrit J. Bern		3,580
Warren F. Bryant		6,181
Brian C. Cornell		6,511
Joseph M. DePinto		3,580
Rakesh Gangwal	12,500	6,181
Monte R. Haymon		
Gary G. Michael		6,181
William J. Montgoris		2,229
Francesca Ruiz de Luzuriaga	12,500	6,181
David M. Szymanski		6,511

(a)

This column does not include options elected to be received by a director in lieu of cash fees.

(b)

This column does not include RSUs elected to be received by a director in lieu of cash fees.

(4)

The figures in this column represent above market interest earned by directors who had balances in the Director Deferred Compensation Plan.

(5)

Mr. Haymon resigned from the board shortly prior to January 28, 2007, the vesting date of these restricted stock units. In February 2007, the Executive Compensation Committee of the board granted Mr. Haymon a cash payment of $60,225.26, which was approximately equal to the pro rata value of his forfeited restricted stock units. Mr. Haymon also received a cash payment of $2,046 for dividends accrued on his RSUs.

Description of Director Compensation

Our current board members, except Mr. Duncan, receive compensation for board service. In 2007, that compensation included:

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

Directors who serve on the board for a portion of a year receive a prorated portion of the annual retainer, attendance fees for the meetings they attend and an equity based compensation award as described below under "OfficeMax Incentive and Performance Plan."

In addition to the compensation described above, the chair of each committee of the board receives an additional retainer as compensation for his or her role as chair. In 2007, retainers for service as committee chairs were paid as follows:

Committee	Committee Chair Retainer		Chairman
Audit	$	30,000	Ms. Ruiz de Luzuriaga
Executive Compensation	$	20,000	Dr. Szymanski
Governance and Nominating	$	10,000	Mr. Bryant (1)
Outside Directors	$	20,000	Mr. Michael (2)

(1) Mr. Bryant was appointed chairman of the Governance and Nominating Committee beginning in July 2007. Prior to that, Mr. Gangwal was the chairman. Each of Mr. Bryant and Mr. Gangwal received a pro rated portion of the retainer in the amount of $4,384 and $5,616, respectively.

(2) Mr. Michael decided not to stand for reelection to the board in 2008. As a result, he will no longer be the chair of the Committee of Outside Directors following the stockholders' meeting.

For 2008, the Governance and Nominating Committee of the board reviewed the compensation received by our directors against the compensation received by directors of the same peer group companies listed herein under "Compensation Discussion and Analysis Management Consultant" on page 32 and recommended no change in the compensation of board members in 2008. The board accepted the recommendation of the Governance and Nominating Committee.

OfficeMax Incentive and Performance Plan

Through our stockholder-approved OMIPP, each non-employee director annually receives a form of long-term equity compensation approved by our Governance and Nominating Committee. Individuals who are non-employee directors at the time of the board meeting held in July receive the award on the regular grant date. Non-employee directors appointed between the July board meeting and December 31 receive the full grant on the first business day after joining our board. In 2007, each non-employee director was to receive a grant of RSUs with a target fair market value of $75,000. On July 26, 2007, the grant date, the company's closing stock price was $33.65, which resulted in an actual grant of RSUs with a fair market value of $75,006 because fractional shares of stock are not issued. The RSUs vested six months after the date of grant and are payable six months following the date of termination of board service for any reason (or immediately upon

death or disability). RSUs are paid in shares of our common stock. Directors holding RSUs are not entitled to any voting rights with respect to the RSUs, but are entitled to receive notional dividends on the RSUs. These notional dividends are accumulated and paid in cash at the time the RSUs are paid.

Additional Director Compensation Plans

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

- in cash;
- in cash deposited in the Director Deferred Compensation Plan; or
- in RSUs (awarded through the OMIPP).

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

Director Deferred Compensation Plan

Our Director Deferred Compensation Plan allows each non-employee director to defer all or a portion of the cash compensation he or she receives for services as a director. Non-employee directors may defer from a minimum of $5,000 to a maximum of 100% of their cash compensation in a calendar year. Amounts deferred under this plan are credited with interest at a rate equal to 130% of Moody's Composite Average of Yields on Corporate Bonds. Participants elect the form and timing of distributions of their deferred compensation balances under this plan at the time the decision to defer compensation under the plan is made. Participants will receive payment in cash, in a lump sum or in annual installments, following the termination of their service on the board. In the event of a change in control of the company, as defined in the plan, a trust may pay our obligations under the Director Deferred Compensation Plan. For more information on this trust, see "Other Compensation and Benefit Plans Deferred Compensation Deferred Compensation and Benefits Trust" beginning on page 62. One of the ten eligible non-employee directors, Mr. Michael, participated in the plan in 2007 and 1 of the 9 eligible non-employee directors, Mr. Bryant, has elected to participate in the plan in 2008.

Stock Options in lieu of salary (awarded through the Director Stock Compensation Plan)

Through our stockholder-approved Director Stock Compensation Plan, non-employee directors could elect in 2006 to receive part or all of their cash compensation in the form of stock options rather than cash. None of the thirteen eligible non-employee directors participated in the Director Stock Compensation Plan in 2006, and none of the ten eligible non-employee directors elected to participate in this plan in 2007. As a result of an amendment to the plan approved at the meeting of the Executive Compensation Committee in February 2007, no further stock options grants will be made under the plan.

Restricted Stock Units in lieu of salary (awarded through the OfficeMax Incentive and Performance Plan)

Through our stockholder approved OMIPP, non-employee directors can elect to receive part or all of their cash compensation in RSUs. Under this plan, RSUs are granted to participating directors on the last trading day of each calendar year. The number of RSUs granted to a participating director is determined by dividing the amount of cash compensation he or she elected to receive in RSUs by the closing price of our common stock as reported on the consolidated tape of the New York Stock Exchange on the last trading day of the calendar year. The RSUs are payable immediately after termination of a participating director's service on the board. RSUs are paid in shares of our common stock. Directors holding RSUs are not entitled to any voting rights with respect to the RSUs, but are entitled to receive notional dividends on the RSUs, which notional dividends are accumulated and paid in cash when the RSUs are paid. Five of the eight eligible directors, Ms. Bern and Messrs. Bryant, Cornell, DePinto and Gangwal, elected to receive all or a portion of their cash compensation in RSUs in 2007 and 4 of the 9 eligible directors, Messrs. Bryant, Cornell, DePinto and Gangwal, have elected to receive all or a portion of their cash compensation in RSUs in 2008.

Meetings of the Board

During 2007, our board of directors met nine times. In addition to meetings of the full board, directors also attended meetings of board committees. Overall, our directors had an attendance rate of 95%. All of the directors attended at least 76% of the meetings of the board and the committees on which they served.

While we do not have a formal policy requiring them to do so, we encourage our directors to attend our annual meeting. Eight of our nine directors attended our 2007 annual meeting of stockholders.

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

The Board of Directors and Committee Membership

Director	Committee of Outside Directors	Executive Compensation Committee	Audit Committee	Governance and Nominating Committee
Dorrit J. Bern *	X	X	X	
Warren F. Bryant *	X	X**	X	X**(C)
Joseph M. DePinto *	X	X**	X	X**
Rakesh Gangwal *	X	X		X(C)
Gary G. Michael *	X(C)	X		X
William J. Montgoris *	X	X	X	
Francesca Ruiz de Luzuriaga *	X		X(C)	X
David M. Szymanski *	X	X(C)		X
2007 Meetings	2	11	9	8

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

(**) Effective in July 2007, Mr. DePinto joined the Executive Compensation Committee and ceased to serve on the Governance and Nominating Committee and Mr. Bryant joined the Governance and Nominating Committee and ceased to serve on the Executive Compensation Committee.

(C) Committee Chair. Mr. Bryant was appointed chairman of the Governance and Nominating Committee beginning in July 2007. Prior to that, Mr. Gangwal was the chairman.

Committee of Outside Directors

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

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

- convening and presiding at all meetings of the board at which the chairman is not present, including executive sessions of the independent directors;
- coordinating the activities of our independent directors;
- facilitating communications between the chairman of the board, chief executive officer, and other board members;
- reviewing meeting agendas and schedules, as well as board materials, prior to board meetings;
- consulting with the chairman of the board to assure that appropriate topics are being discussed with sufficient time allocated for each; and
- reviewing the results of the chief executive officer's performance evaluation with the chief executive officer and with the chair of the Executive Compensation Committee.

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

You may contact our independent directors in the manner set forth under "Governance and Nominating Committee Communications with Directors" on page 26.

Executive Committee

In accordance with our Bylaws, the Executive Committee has and may exercise all powers the board may legally delegate. The committee is convened when circumstances do not allow the time, or when it is otherwise not practicable, for the entire board to meet. The committee consists of the chairman of the board and the chairs of the Audit Committee, Executive Compensation Committee, Governance and Nominating Committee, and the Committee of Outside Directors. In 2007, the Executive Committee did not meet.

Governance and Nominating Committee

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

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

recommending nominees for election at the annual meeting of stockholders;

- reviewing the structure of each board committee and recommending the composition of each committee;
- developing our corporate governance guidelines;
- reviewing director compensation and benefits;
- recommending responses to stockholder proposals;
- overseeing the evaluation of our senior management, except our chief executive officer;
- reviewing related person transactions; and
- developing and recommending to the board an annual self-evaluation process of the board and its committees.

Qualifications for Directors

The Governance and Nominating Committee has established qualifications for directors, including the ability to apply good and independent judgment in a business situation and the ability to represent the interests of all our stockholders and constituencies. A director also must be free from any conflicts of interest that would interfere with his or her loyalty to our stockholders and us. In evaluating board candidates, the Governance and Nominating Committee considers these qualifications as well as several other factors, including but not limited to:

- demonstrated maturity and experience;
- geographic balance;
- expertise in business areas relevant to OfficeMax;
- background as an educator in business, economics, or the sciences; and
- diversity.

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

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

The Governance and Nominating Committee does not have a written policy regarding stockholder nominations for directors. In accordance with our Bylaws, however, the committee will consider stockholder nominations for directors (see "Other Information Stockholder Nominations for Directors" beginning on page 78). OfficeMax has not received any stockholder nominations or recommendations for director in connection with our 2008 annual meeting.

Governance Guidelines and Committee Charters

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," then "Investors," and then "Corporate Governance." You also may obtain copies of these policies and codes by contacting our Investor Relations Department, 263 Shuman Boulevard, Naperville, Illinois 60563, or by calling 630/864-6800.

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

- our board of directors adopted clear corporate governance policies, including standards for determining director independence;
- with the exception of Mr. Duncan, our chairman of the board and chief executive officer, OfficeMax's board has determined that all of our directors meet the independence requirements of the NYSE;
- all members of our Audit, Executive Compensation, and Governance and Nominating Committees are independent;
- our board committee charters clearly establish their respective roles and responsibilities;
- our non-management directors meet at least twice a year without management present, under the direction of our lead independent director;
- we have a Code of Ethics that applies to all OfficeMax directors, officers, employees, associates, and agents and to any company that we own or manage;
- our internal audit function maintains critical oversight over the key areas of our business, financial processes, and controls, and reports regularly to the chair of our Audit Committee;
- we have a toll-free reporting service available that permits employees to report violations of our Code of Ethics or other issues of significant concern on a confidential basis; and
- callers on our toll-free reporting service may request that an issue relating to accounting, internal accounting, internal controls, or auditing be reported to the Audit Committee.

Communications with Directors

Stockholders and other interested parties may send correspondence to our board of directors or to any individual director through the following address: OfficeMax Incorporated, *Attention* Corporate Secretary, 263 Shuman Boulevard, Naperville, Illinois 60563. You also may correspond with our directors by email at *boardofdirectors@officemax.com*. You should direct concerns about accounting controls or auditing matters to the chair of the Audit Committee at the same address. We will forward all communications to the person(s) to whom they are addressed. All correspondence will also be referred to our lead director. While we do not screen these communications, copies also will be forwarded to our general counsel and our corporate secretary.

Audit Committee Report

The Audit Committee of the board of directors oversees our accounting and financial reporting processes, audits of OfficeMax's financial statements, the system of internal controls established by management related to accounting, financial reporting, disclosure, and ethics and the integrity of OfficeMax's financial statements. The Audit Committee also assists the board in the oversight of OfficeMax's compliance with legal and regulatory requirements; the evaluation of the independence, performance, and qualifications of the independent public accounting firm; and the performance of

OfficeMax's internal audit function. It is comprised entirely of independent directors as required by the NYSE listing standards and by its own written charter. All of the Audit Committee members are "financially literate," and Ms. Ruiz de Luzuriaga, the committee chair, Ms. Bern, and Mr. Montgoris qualify as "audit committee financial experts" as defined by the SEC. See "Board of Directors" for a description of the experience of each Audit Committee member.

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

Audit Committee Responsibilities

The Audit Committee's responsibilities include:

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

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

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

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

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

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

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

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

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

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

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

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

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

The Audit Committee, or an authorized committee member, must also preapprove any audit and permitted nonaudit services provided to OfficeMax by its independent registered public accounting firm, KPMG LLP.

Audit, Audit-Related, and Other Nonaudit Services

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

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

1. ***Audit*** services include audit work performed on the financial statements and internal control over financial reporting, as well as work that generally only KPMG LLP can reasonably be expected to provide, including comfort letters, statutory audits, and discussions surrounding the proper application of financial accounting and/or reporting standards.

2. ***Audit-Related*** services are for assurance and related services that are traditionally performed by KPMG LLP, including employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

3. ***Tax*** services include all services performed by KPMG LLP's tax personnel except those services specifically related to the audit of the financial statements, including tax analysis, assisting with the coordination of tax-related activities, supporting other tax-related regulatory requirements, and tax compliance and reporting.

4. ***All Other*** services are those services not captured in the audit, audit-related or tax categories. OfficeMax generally does not request such services from KPMG LLP.

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

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

OfficeMax did not use KPMG LLP for any of the following nonaudit services in 2007:

- bookkeeping or other services related to our accounting records or financial statements;
- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions or human resources;
- broker or dealer, investment adviser, or investment banking services; or
- legal services and expert services unrelated to the audit.

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

Financial Statement Recommendation

The Audit Committee is responsible for recommending to the board that OfficeMax's audited financial statements be included in its Form 10-K. The Audit Committee took a number of steps in making this recommendation for 2007, including discussing with KPMG LLP the:

- conduct of the audit, including information regarding the scope and results of the audit, as required by the Statement on Auditing Standards No. 61, Communication with Audit Committees;
- auditors' independence, including receipt of a letter from KPMG LLP regarding its independence, as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees; and
- audit of management's assessment of the effectiveness of internal control over financial reporting and KPMG LLP's own audit of the effectiveness of internal controls over financial reporting.

As the final step in this procedure, the Audit Committee reviewed and discussed with KPMG LLP and management OfficeMax's audited consolidated balance sheet at December 29, 2007, and its audited consolidated statements of income (loss), cash flows, and shareholders' equity for the year ended December 29, 2007.

Based on the discussions with OfficeMax's management regarding the audited financial statements and with KPMG LLP regarding its audit and independence, the Audit Committee recommended to the board that these financial statements be included in OfficeMax's 2007 Form 10-K.

Audit Committee of the Board of Directors

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

Executive Compensation Committee Report

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

The Board established the committee to discharge the Board's responsibilities relating to compensation of the company's chief executive officer and each of the company's other executive officers. The committee has overall responsibility for decisions relating to all compensation plans, policies, and benefit programs as they affect the chief executive officer and other executive officers.

Committee Authority and Responsibilities

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

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

- Periodically and when appropriate, the committee reviews and approves the following as they affect the CEO and the company's elected officers:

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

  - Any employment agreements and severance arrangements;

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

  - Any special or supplemental compensation and benefits.

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

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

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The committee reviews and discusses the Compensation Discussion and Analysis section of the proxy with management. Based on this review and discussion, the committee determines whether to recommend to the Board that the section be included in the company's annual report or proxy statement.

The committee periodically reviews executive succession plans for management.

Committee Procedure

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

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

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

The committee annually reviews its own performance.

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

The committee may form and delegate authority to subcommittees.

The Executive Compensation Committee has reviewed and discussed the information appearing below under the heading "Compensation Discussion and Analysis", beginning on page 31, with management and, based on that review and discussion, has recommended to the board of directors that the "Compensation Discussion and Analysis" section be included in this proxy statement.

Executive Compensation Committee of the Board of Directors

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

Compensation Discussion and Analysis

Overview

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

align compensation with our performance on both a short-term and long-term basis;

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

- encourage ownership of our common stock to create commonality of interest between executive officers and stockholders.

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

- base salary;
- annual performance-based incentive compensation;
- long-term performance-based incentive compensation; and
- other compensation and benefit plans.

In designing compensation programs, management and the committee place a heavy emphasis on performance, and consequently a substantial portion of each executive officer's total annual compensation is "at-risk" and tied to our annual and long-term financial performance, as well as to the enhancement of stockholder value.

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

Independent Consultant to the Executive Compensation Committee

The committee has the authority under its charter to directly retain compensation consultants to assist the committee. In accordance with this authority, the committee engages Frederic W. Cook & Co. (referred to in the rest of this section as Cook) as its independent outside compensation consultant to advise it on matters related to chief executive officer and other executive compensation. The committee has the sole authority to retain and terminate Cook. Cook only interacts with management with the express permission of the committee. At the request of the committee, Cook assisted management in formulating its proposal to increase the shares of stock available for issuance under the OMIPP. In its capacity as advisor to the committee, Cook is available to meet with the committee and management when requested and regularly attends the committee meetings. Representatives of Cook attended eight committee meetings in 2007. The services provided to the committee by Cook include but are not limited to: reviewing proposals prepared by management; advising on the design of incentive plans, including the structure of the plans, the selection of performance metrics and the setting of performance goals; advising on the design of the indirect elements of the total compensation program, such as change in control severance benefits, stock ownership policy and perquisites; assisting the committee in making changes to Mr. Duncan's compensation and in determining his annual payout, if any, under the annual incentive plan as well as his annual long-term incentive award; providing periodic updates on emerging trends and best practices with regard to compensation design and policy; assisting with preparation of the annual proxy statement and other matters related to disclosure of executive compensation; reviewing an annual competitive analysis of compensation rates for the company's executive officers; conducting an annual competitive analysis of aggregate equity compensation expense for the company as a whole; and recommending an annual equity compensation budget based on both stock usage and economic cost.

Management Consultant

The executive vice president and senior vice president of human resources engage consultants as needed in order to provide executive compensation recommendations, market data and calculations. To provide a market-based foundation for executive compensation decisions, management annually engages a consultant to conduct a survey of compensation paid by a peer group of companies (referred to in the rest of this section as the compensation survey). The compensation survey provides information on base salaries, short-term incentives, annual targeted total cash compensation, long-term incentives, and annual targeted total direct compensation paid by the peer group. This information is used by management to benchmark the compensation recommendations that management provides to the committee. Cook reviews management's recommendations and provides feedback to the committee on those recommendations. In 2006 and 2007, this compensation survey was produced by Hewitt Associates (referred to in the rest of this section as Hewitt). In 2008, this compensation survey was produced by the Hay Group (referred to in the rest of this section as Hay).

Peer Group

The peer group is reviewed and approved annually by the committee. Management, together with the consultant producing the compensation survey initially propose a peer group of companies drawn from the consultant's database. The peer group is finalized after discussions with the committee chair and the committee. The committee consults with Cook on the composition of the peer group. The peer group includes competitors, leading retailers, and business to business distributors that have submitted their compensation data to the consultant producing the compensation survey. We believe these companies have certain characteristics, such as business model or size, which are comparable to us and are likely to compete with us for executive talent. Because consultant databases are limited in the number of same-sized companies participating in their surveys, companies that are smaller or larger than us are included in the peer group so that a reasonable number of companies is available for statistical analysis. The compensation data is then adjusted for company size to control for compensation differences that would arise from company size differences alone. The peer group used by Hewitt in evaluating 2007 compensation levels consisted of the following companies:

Auto Zone, Inc.	Newell Rubbermaid Inc.
CDW Corporation	Office Depot, Inc.
Charming Shoppes, Inc.	The Pantry Inc.
Corporate Express, Inc.	Petco Animal Supplies, Inc.
Dollar General Corporation	The Sports Authority, Inc.
Federal-Mogul Corporation	Toys R Us, Inc.
J. C. Penney Company	Staples, Inc.
Kohl's Corporation	United Stationers, Inc.
L. L. Bean Incorporated	Williams-Sonoma, Inc.
Linens'n Things, Inc.	W. W. Grainger, Inc.
Longs Drug Stores, Inc.	

In late 2007, the committee decided to engage Hay to produce the 2008 compensation study because of its extensive survey database and consulting experience in the retail and services sectors. The set of companies available for peer group comparisons was therefore restricted to the companies that submit their data to Hay. During the annual review of the peer group, the committee approved the criteria, set forth below, to use in evaluating the companies to include in the peer group. From Hay's Retail Industry Total Remuneration Report, which contains information on nearly 100 retail organizations, a peer group was developed by management and Hay applying these criteria. The committee then reviewed the proposed peer group and approved a revised peer group whose constituents meet some or all of the following criteria:

- peer competes with OfficeMax for business
- peer has a similar business model to OfficeMax
- peer competes with OfficeMax for talent

peer recruits talent from OfficeMax

peer sets compensation trends in OfficeMax's hiring market

peer has similar revenues to OfficeMax

The 2008 peer group includes 26 companies and has changed as follows:

Companies Added	Companies Retained	Companies Removed
Ace Hardware Corporation	Auto Zone, Inc.	CDW Corporation
Advance Auto Parts, Inc.	Dollar General Corporation	Charming Shoppes, Inc.
Big Lots, Inc.	Kohl's Corporation	Corporate Express
Blockbuster Inc.	Linens'n Things, Inc.	Federal-Mogul Corporation
The Bon-Ton Stores, Inc.	Office Depot, Inc.	J.C. Penney Company
Borders Group Inc.	Staples, Inc.	L.L. Bean Incorporated
Crate & Barrel	Williams-Sonoma, Inc.	Longs Drug Stores, Inc.
Dollar Tree Stores Inc.		Newell Rubbermaid Inc.
Family Dollar Stores, Inc.		The Pantry Inc.
FedEx Kinko's Office and Print Center		Petco Animal Supplies, Inc.
Gap Inc.		The Sports Authority, Inc.
Limited Brands, Inc.		Toys R Us, Inc.
Meijer, Inc.		United Stationers, Inc.
Payless ShoeSource		W. W. Grainger, Inc.
PetSmart, Inc.		
RadioShack Corporation		
ShopKo Stores, Inc.		
TJX Companies, Inc.		
Winn-Dixie Stores, Inc.		

Base Salary

Overview

The committee and management believe that competitive base salaries are necessary to attract and retain management talent critical to achieving our business goals. The committee and management annually review the salary range and salary grades for all elected officer positions, referring to the compensation survey to provide insight into appropriate levels. Cook reviews this analysis on behalf of the committee and provides independent data as requested by the committee. The target salary for officers in a salary grade is the midpoint of the range. The midpoint represents the approximate median salary for equivalent positions at the peer group companies, after adjusting for differences in job content, including company size, business complexity and responsibilities of the roles compared to similar jobs in the market. The committee and management also make comparisons to similar OfficeMax positions in circumstances where the executive position does not exist in the peer group.

Process

Annually, the executive vice president and senior vice president of human resources recommend a salary for each elected officer (except for the chief executive officer). With respect to elected officers reporting directly to the chief executive officer, the compensation survey information and recommended salaries are presented to the chief executive officer. With respect to elected officers not reporting directly to the chief executive officer the process is the same, except the supervising elected officer reviews and provides input to the executive vice president of human resources prior to the presentation of the recommended salaries to the chief executive officer. After reviewing this information, the chief executive officer may make modifications based on his own assessment of individual performance, and then makes salary recommendations to the committee. Cook is present at the committee meeting to provide input on the recommendations. The committee approves the base salary for each of the named executive officers and all other elected officers. In establishing base salaries, the committee considered the executive's length of employment, individual performance, relation to internal peers, and compensation survey data. Similarly, variance from salary range midpoint and compensation survey median base salaries is considered based on annual performance results, individual experience, expertise, skill, leadership qualities, level of responsibility, placement within company succession planning, overall value to the company and considerations of fairness and comparability within the company. The committee also reviews and may adjust salaries at the time of promotions or other significant increases in executive responsibilities based on the considerations described above.

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

The base salaries for all named executive officers other than the chief executive officer and the chief financial officer were established following the procedures described above and are set forth in the "Summary Compensation Table" on page 51. The salary approved for Mr. DePaul was above the midpoint of his salary range, but still below the compensation survey median for his position. The base salaries of Messrs. Duncan, Civgin, Martin and Vero were lower than the midpoint of their salary range and below the compensation survey median for their position.

NEO Salaries

Mr. Duncan's base salary was initially established at $850,000 in April 2005, when he joined the company, pursuant to the terms of his employment agreement. In February 2006, the committee approved an increase in Mr. Duncan's base salary to $900,000, effective in April 2006. This resulted in Mr. Duncan's base salary remaining below the midpoint of the salary range for chief executive officers of peer companies in the Hewitt survey. The committee approved the 2006 increase in recognition of Mr. Duncan's impact on the strategic direction of the company and our improved operating results. In February 2007, following a discussion of Mr. Duncan's then current salary, as well as the other items of compensation that have been granted to Mr. Duncan, the committee approved an increase in Mr. Duncan's salary to $1,000,000, effective as of April 1, 2007, in recognition of Mr. Duncan's impact on the company's operating results, which improved significantly in 2006, and his implementation of a complicated turnaround plan for the company in a short time frame. With this increase, Mr. Duncan's salary was still below the midpoint of the salary range for chief executive officers of peer companies in the Hewitt survey. Although the procedure to set Mr. Duncan's salary differs from the procedure to set the other named executive officer salaries (in that no recommendation is made to the committee with respect to his salary), his target salary is benchmarked in the same way as the other named executive officers, and that benchmark information is provided to the committee.

In February 2008, Cook provided a recommendation to the committee with respect to Mr. Duncan's salary and other compensation based on market data prepared by Hay. The committee reviewed Cook's recommendation and Mr. Duncan's performance in 2007. In view of his accomplishments in continuing to drive the company's turnaround plan, the committee approved an increase in Mr. Duncan's salary to $1,030,000, effective March 30, 2008.

Our chief financial officer, Mr. Civgin, joined the company in October 2005, at which time his base salary was set at $475,000. In February 2006, the committee awarded Mr. Civgin a 2.1% increase in base salary to $485,000 in recognition of his performance. In February 2007, the committee approved an increase in Mr. Civgin's salary to $520,000, effective as of April 1, 2007. The chief executive officer recommended this increase for Mr. Civgin based on his accomplishments during his first year, including achievement of goals in the management of our finance function and his impact on our improved operating results. In February 2008, the committee reviewed Mr. Civgin's performance in 2007. In view of his accomplishments and continued leadership within the company, the committee approved an increase in Mr. Civgin's salary to $546,000, effective March 30, 2008.

Our chief operating officer, Mr. Martin, joined the company in September 2007 at which time his base salary was set at $620,000. This base salary was below the midpoint of the salary range for chief operating officers of peer companies in the compensation survey. The committee approved this base salary because of Mr. Martin's prior experience and the responsibilities he would take on as chief operating officer. In February 2008, the committee approved an increase in Mr. Martin's salary to $640,000 in recognition of his performance effective March 30, 2008.

The committee also approved increases for Messrs. DePaul, Rowsey and Vero to $313,500, $538,000 and $518,000, respectively, effective April 1, 2007, in recognition of their performance in 2006. The committee approved increases for Messrs. DePaul and Vero to $327,600 and $533,540, respectively, effective March 30, 2008, in recognition of their performance in 2007.

Annual Incentive Compensation (Bonus)

Overview

The committee establishes annual incentive compensation in the form of cash bonuses in order to tie a significant portion of annual compensation to our annual financial performance. Each year the committee establishes objective performance criteria that must be met by the company in order for bonuses to be paid (establishing minimum, target and maximum payout levels for each type of performance criteria), a bonus target for each executive officer that is expressed as a percentage of salary, and other terms and conditions of awards under the bonus program. Each of these components is described below. No annual incentive awards are earned or paid unless the minimum performance criteria are achieved and the company has net income. The committee may determine that special one-time or extraordinary gains or losses should or should not be included in the calculation of the performance criteria. The committee typically approves annual incentive bonus criteria in February, in order to comply with the provisions of Section 162(m) of the Internal Revenue Code of 1986, as amended (referred to in the rest of this section as Section 162(m)), which requires that performance metrics be set within 90 days of the commencement of the performance period. Compliance with Section 162(m) enables the awards to qualify as "performance-based" compensation and allows the awards granted to the CEO and other named executive officers (other than our chief financial officer whose compensation is not subject to the deduction limitations of Section 162(m)) to be tax deductible by us if the compensation to any named executive officer exceeds $1 million for any fiscal year.

Performance criteria (2006 and 2007) that must be met before bonuses are paid

In 2006, the committee approved the following performance criteria applicable to all named executive officers to receive a bonus payment at target: company return on sales of 2%, same location sales growth of 3.9%, and earnings before interest and taxes (which we refer to as EBIT Dollars) of $185 million. These financial measures were weighted as follows for 2006: EBIT Dollars 50%, return on sales 25%, and same location sales growth 25%. The performance criteria set for 2006 were aligned with our 2006 strategic plan. These measures and the individual weightings were selected by the committee to ensure an appropriate focus on growth and profitability, with EBIT Dollars weighted most heavily because it was most indicative of our success in executing our strategic plan and reinforced the objective of increasing our overall profitability. Return on sales measures the efficiency of our execution and sales growth promotes positive marketplace expansion of the business, each of which are critical to achieving sustained and profitable growth as well as the efficient use of capital. Given our 2005 performance, the committee felt it important to place greater relative emphasis on EBIT Dollars in 2006 and therefore weighted EBIT Dollars more heavily. The committee chose targets for each measure which would be obtainable if executive officers executed the strategies articulated by the company and produced material improvements in operating results and which the committee believed would increase stockholder value when met. The improvement in operating results required to reach the targets was significantly in excess of 2005 operating results and was dependent on successful completion of numerous initiatives designed to increase efficiency, reduce cost, and deliver a better customer experience.

In February 2007, the committee approved the performance criteria, bonus targets and design for the 2007 annual incentive compensation plan. For the reasons stated above, the committee retained EBIT Dollars, return on sales, and same location sales growth as objective performance criteria. Because the same location sales growth goal was not met in 2006, the committee increased the relative weighting of that goal to one-third, increased the weighting of the return on sales goal to one-third and reduced the weighting of the EBIT Dollars goal to one-third, to emphasize the equal importance attached to achievement of sales growth and to create greater management focus on achieving targeted goals. In order to achieve a payment at target, the company had to achieve EBIT Dollars of $379.2 million, return on sales of 4% and same location sales growth of 4.1%. The performance criteria and the weighting of those criteria were intended to motivate and reward eligible officers to strive for continued financial improvement for the company, consistent with increasing stockholder value. The committee chose targets which required, in part, revenue growth that was in excess of expected U.S. baseline economic growth. In addition, as with our 2006 targets, achievement of the 2007 targets required an improvement in our operating results in excess of our 2006 results, and which the committee believed would increase stockholder value when met, while taking into account that further year over year incremental improvement in operating results becomes more difficult as operating results improve. As was the case in 2006, achievement of the 2007 targets was dependent on the successful completion of numerous initiatives designed to increase efficiency, reduce costs, and deliver a better customer experience. To receive an award, participants must have been employed by the company on or before September 30 of the plan year, must have been employed by the company for a minimum of 90 days during the plan year and, subject to certain exceptions, must have been employed by the company at the time of award payment. In addition, no award will be earned or paid if the company does not have net income for the award period or the participant is performing at an unsatisfactory performance level.

In 2006 and 2007, no named executive officer's annual incentive required accomplishment of individual performance measures.

Target bonuses

The committee establishes a target bonus for each executive officer. Target bonus amounts are specified as a percentage of the elected officer's base salary. In 2006 and 2007, target bonus amounts for our named executive officers ranged from 50% to 100% of base salary, depending on position, and were payable in cash. The Executive Vice President of Human Resources and the Senior Vice President of Human Resources recommend a target bonus for each executive officer to the committee, that is aligned with the median rate for equivalent positions at peer group companies shown in the compensation survey. Depending on the achievement of the objective performance goals, an elected officer's actual payout is typically either above or below the targeted amount. The maximum potential award for any participant, including the named executive officers, was 225% of base salary. See the table "Grants of Plan-Based Awards for Fiscal Year Ended December 29, 2007" on page 54 for the minimum, target and maximum awards for each of our named executive officers. The committee also has the discretion to reduce or eliminate an award regardless of whether the performance goals applicable to the elected officer's bonus have been achieved. The committee did not exercise this discretion in 2006 or 2007.

Mr. Duncan's annual incentive compensation is determined in the same manner as all other named executive officers, except that, under his employment agreement, his annual target bonus must be at least 100% of his annual base salary in effect at the beginning of the applicable fiscal year, with a maximum potential award equal to 225% of his annual base salary. In both 2006 and 2007, his target was 100% of his salary. In addition, notwithstanding the performance goals, Mr. Duncan's agreement provided that, for 2005 only, he was to receive a minimum award of 100% of his base salary. Following 2005, however, Mr. Duncan, like the other named executive officers, receives a bonus only when the minimum performance goals are achieved and the company has net income.

Mr. Civgin's annual target bonus must equal at least 55% of his annual base salary in effect at the beginning of the applicable fiscal year pursuant to the terms of his initial offer letter.

Mr. Martin's annual target bonus must equal at least 70% of his annual base salary in effect at the beginning of the applicable fiscal year pursuant to the terms of his initial offer letter. Notwithstanding the company performance goals, Mr. Martin's offer letter provided that, for 2007 only, he was to receive a minimum award of 70% of his base salary, prorated to reflect the commencement date of his employment.

The 2007 annual target bonuses for Messrs. Vero, Rowsey and DePaul were established based on the median short-term award granted by our peers as reflected in the compensation survey.

Payments under plan

In 2006, we exceeded the target return on sales goal and the target EBIT Dollar goal; but the minimum same location sales growth goal was not achieved. The table below indicates the 2006 bonus target as well as the actual bonus received by each named executive officer, shown as a percentage of target, as a percentage of his salary and in dollars:

Name	Target (as % of base Salary)	Actual bonus (as % of base)	% of Target	Amount Earned ($)
Sam Duncan	100%	156%	156%	$ 1,404,000
Don Civgin	55%	86%	156%	$ 416,130
Phillip DePaul	50%	78%	156%	$ 234,000
Michael Rowsey	65%	101%	156%	$ 527,280
Ryan Vero	55%	86%	156%	$ 429,000

In 2007, we achieved 78% of the target return on sales goal and 64% of the target EBIT Dollar goal; but the minimum same location sales growth goal was not achieved. The table below indicates the 2007 bonus target as well as the actual bonus received by each named executive officer, shown as a percentage of target, as a percentage of his salary and in dollars:

Name	Target (as % of base Salary)	Actual bonus (as % of base)	% of Target	Amount Earned ($)
Sam Duncan	100%	47%	47.30%	$ 473,000
Don Civgin	55%	26%	47.30%	$ 135,278
Phillip DePaul	50%	24%	47.30%	$ 74,143
Sam Martin (1)	70%	20%	100.00%	$ 124,000
Michael Rowsey (2)				
Ryan Vero	55%	26%	47.30%	$ 134,758

(1) By agreement, Mr. Martin received a minimum award of 70% of his base salary, prorated to reflect the commencement of his employment.

(2) Mr. Rowsey was not eligible for a 2007 annual incentive award because he was no longer employed by the company as of December 29, 2007.

2008

In February 2008, the committee approved the performance criteria, bonus targets and design for the 2008 annual incentive compensation plan. The performance criteria and weighting chosen are: company EBIT dollars (50%), return on sales (30%) and same location sales growth (20%). These are the same performance criteria applied in 2006 and 2007, but the weightings have changed, reflecting the continuing importance of these criteria in the company's strategic plan but the increasing difficulty of attaining sales targets given current economic conditions. The performance criteria and the weighting of those criteria are intended to motivate and reward eligible officers to strive for continued financial improvement for the company, consistent with increasing stockholder value. The committee strives to establish targets with a level of difficulty that it expects, at the time the targets are set, will result in a 60% likelihood of achievement of the target by the company, with the understanding that the company's actual results are likely to vary based on a number of factors, including the impact of domestic and foreign economic conditions. As was the case in 2007, achievement of the 2008 targets will be dependent on the successful completion of numerous initiatives designed to increase efficiency, reduce costs, and offset the effect of economic conditions in 2008.

The chart below sets forth the historical achievement of the short-term incentive goals over the previous three years.

	EBIT Dollars		Return on Sales		Same Location Sales Growth	
Year	Goal	Actual	Goal	Actual	Goal	Actual
2005	$ 208,500,000	$ 151,400,000	2.2%	1.7%	5.1%	1.7%
2006	$ 185,000,000	$ 308,700,000	2.0%	3.4%	3.9%	1.0%
2007	$ 379,200,000	$ 344,200,000	4.0%	3.8%	4.1%	0.9%

2008 annual incentive targets were approved in the following amounts for our named executive officers: Sam Duncan, 100%; Don Civgin, 55%; Phillip DePaul, 50%; Sam Martin, 70%; and Ryan Vero, 55%. The targets approved are the same as the targets approved in 2007 and are in line with and in some instances below the median rate for equivalent positions at peer group companies in the compensation survey.

Long-Term Incentive Compensation (Equity Awards)

Overview

The committee provides long-term incentives in the form of various types of equity awards, in order to serve several of the compensation objectives. First, the committee believes that equity awards, in tandem with our executive stock ownership guidelines described below, encourage ownership of our common stock by elected officers, which in turn aligns the interest of those officers with our stockholders. In addition, the vesting provisions applicable to the awards help retain eligible officers and reward the achievement of long-term business objectives that benefit our stockholders.

The OMIPP was adopted by our stockholders. The OMIPP permits the grant of annual incentive awards, stock, restricted stock, restricted stock units, performance stock, performance units, stock appreciation rights (SARs), traditional stock options, and a variety of performance-based stock options. This plan gives the committee flexibility in choosing among these awards to provide competitive long-term incentive compensation. See "Approval of an Amendment to Our OfficeMax Incentive and Performance Plan to Increase the Number of Shares of Stock Available for Issuance under the Plan and to Make Certain other Changes to the Plan and Re-approve the Material Terms of the Performance Goals under the Plan" on page 5 for a description of amendments proposed with respect to the OMIPP.

Annually, the committee approves the plan design of the long-term incentive program for the upcoming year. Management discusses the initial program elements prior to presenting them to our chief executive officer for further review and recommendation to the committee for approval. This includes the type of equity award to be granted as well as the size of the award for elected officers. In determining the type and aggregate size of awards to be provided, as well as the performance metrics that will apply, the committee considers the strategic goals of the company, trends in corporate governance, accounting impact, tax-deductibility, cash flow considerations, the impact on the company's earnings per share and the number of shares of stock that would be required to be allocated for the award. Throughout the process, Cook is informed and provides ongoing feedback to the committee and management (at the committee's request).

After consideration of the long-term incentive award data presented in the compensation survey, the committee approves long-term incentive award targets for the upcoming fiscal year, expressed as a percentage of salary. The committee generally attempts to align the award target for each elected officer with the median rate for equivalent positions at peer group companies. The salary multiple is then applied to the elected officer's base salary to determine the size of the award. The committee considers whether the awards are comparable to similar awards provided by the peer group as well as similar awards previously offered by the company, each of which are important criteria in ensuring a competitive program that supports attraction and retention objectives and also results in a reasonable and sustainable level of potential share dilution and cost. On the date on which the awards are granted, each elected officer receives that number of the securities that have been selected for issuance under the long-term incentive program equal to his or her salary multiplied by his or her award target percentage divided by the closing price of company stock on the date of grant. No action may be taken by the officer with respect to the securities underlying the award until the securities vest. The number of securities that actually vest will depend on achievement of the objective performance criteria established by the committee. An elected officer's actual vested number of shares of company stock is likely to be either above or below the targeted amount.

In general, the committee grants long-term incentive compensation awards one time per year, typically in February, in order to comply with the provisions of Section 162(m), which requires that performance metrics be set within 90 days of the commencement of the performance period.

Compliance with Section 162(m) enables the awards to qualify as "performance-based" compensation and thereby allow awards granted to the CEO and other named executive officers to be tax deductible by us.

Type of equity granted and performance metrics (2006 and 2007)

For 2006, management recommended and the committee approved a grant of performance-based restricted stock units as the only type of long-term incentive compensation award. The grant was designed to support the company's strategic plan and reward elected officers if our financial performance improves over a two-year period. In addition, performance-based restricted stock units support our financial efficiency objectives as their cost is variable and is only incurred by us to the extent operating goals are achieved. Receipt of the restricted stock units pursuant to the awards is based on the company's achievement of a minimum return on net asset measure for fiscal years 2006 and 2007 and a two-year cumulative EBIT measure for fiscal years 2006 and 2007 with the final amounts adjusted based on company return on sales for fiscal years 2006 and 2007. The final number of restricted stock units issued was adjusted based on company return on sales for each of the fiscal years 2006 and 2007. Return on sales for both 2006 and 2007 exceeded the targets and participants will receive 150% of the initial award granted. Fifty percent of the increased award vested on February 8, 2008 and the remainder of the grant will vest on February 8, 2009.

The three metrics chosen, EBIT Dollars, return on net assets and return on sales, were recommended by management and approved by the committee. The committee believed that these performance metrics were aligned with our 2006 strategic plan. In consideration of the difficulty of setting multi-year targets with precision during our restructuring activities, the committee approved a 24-month combined performance period with specific measures applicable to each of the two 12-month performance periods. The delayed distribution of a portion of the earned restricted stock units following the performance period enhances the retention value of the compensation program. The committee chose targets for each measure which would be obtainable if executive officers executed the strategies articulated by the company and produced material improvements in operating results and which the committee believed would increase stockholder value when met. The improvement in operating results required to reach the targets was significantly in excess of 2005 operating results and was dependent on successful completion of numerous initiatives designed to increase efficiency, reduce costs, and deliver a better customer experience.

For 2007, management recommended and the committee approved a grant of performance-based restricted stock units as the only type of long-term incentive compensation award. Receipt of the restricted stock units pursuant to the awards is based on the company's achievement of a minimum return on net asset measure for fiscal years 2007 and 2008 and a two-year cumulative EBIT measure for fiscal years 2007 and 2008 with the final amounts adjusted based on company return on sales for fiscal years 2007 and 2008. The committee chose targets which require, in part, revenue growth that is in excess of expected U.S. baseline economic growth. In addition, as with our 2006 targets, achievement of the 2007 targets required an improvement in our operating results in excess of our 2006 results, and which the committee believes will increase stockholder value when met, while taking into account that further year over year incremental improvement in operating results becomes more difficult as operating results improve. As was the case in 2006, achievement of the 2007 targets was dependent on the successful completion of numerous initiatives designed to increase efficiency, reduce costs, and deliver a better customer experience. If paid, one half of the units will vest and be paid in February 2009 and the remaining half of the units will vest and be paid in February 2010. Units are paid in shares of company common stock. The form of the RSU Award Agreement provides that participants must be employed by the company in order for the restricted stock units to vest (subject to exceptions in certain circumstances including involuntary termination, death, disability or retirement, in which case a pro rata amount of restricted stock units will vest on termination if the participant was employed with the company for a minimum of six months during fiscal years 2007 or 2008). Units may not be sold or transferred prior to vesting. In addition, recipients of the units do not receive dividends and do not have voting rights until the units vest.

The committee believes that performance metrics applicable to long-term incentive awards are particularly critical to encourage forward planning for our success. The committee intends to continue to align the metrics for future long-term incentive compensation programs with our strategic goals as they evolve.

In 2006 and 2007, no named executive officer's long-term incentive required accomplishment of individual performance measures.

Bonus targets

The committee establishes a target long-term incentive award for each executive officer. Target long-term incentive amounts are specified as a percentage of the elected officer's base salary. The Executive Vice President of Human Resources and the Senior Vice President of Human Resources recommend a target long-term incentive award for each executive officer to the committee, that is aligned with the median rate for equivalent positions at peer group companies shown in the compensation survey. For 2006 and 2007, target long-term incentive awards for our executive officers ranged from 100% to 350% of base salary. The executive's actual payout can vary from the targeted amount depending on the achievement of the objective performance goals, as well as changes in the value of the shares of stock underlying the grant that occur between the grant date and payout. The maximum potential award for any participant, including the named executive officers, was 150% of the target award, expressed as a number of shares of stock.

Mr. Duncan's long-term incentive compensation is determined in the same manner as all other named executive officers, except that under his employment agreement, we are required to grant Mr. Duncan for each subsequent year he is employed during the term of his agreement, long-term incentive compensation awards with a present value (as determined by the committee) approximately equal to 350% of Mr. Duncan's then-current annual base salary. In both 2006 and 2007, his target was 350% of his salary. The committee believes these awards appropriately emphasize the importance of long-term performance and align Mr. Duncan's interests with those of our stockholders, while taking into account the other elements of his compensation. Pursuant to his offer letter, Mr. Martin received a grant of 36,540 RSUs as a 2007 long-term incentive award, which was based on the compensation survey data for his position and pro-rated based on his commencement date of employment. For each of our named executive officers, see the table "Grants of Plan-Based Awards for Fiscal Year Ended December 29, 2007" on page 54 for the minimum, target and maximum awards. The target awards were based on the compensation survey data and took the company's turnaround status into consideration.

2008

On February 20, 2008, the committee approved the 2008 Long-Term Incentive Program under which the company's named executive officers will be awarded RSUs pursuant to the OMIPP. Each named executive officer will receive an award that is divided evenly between RSUs that vest upon company achievement of certain performance criteria (including EVA®[1] Improvement, described below) within specified time periods and RSUs that vest solely upon the elapsing of a time period. EVA® Improvement is a new performance metric for the company. Because of the uncertainty inherent in new and complex performance metrics, the committee chose to structure one half of the award in RSUs that vest solely upon the elapsing of a time period in order to increase the retention

(1) EVA® is a registered trademark of Stern Stewart & Co.

value of the awards. The committee established an EVA® Improvement target based on the same company performance expectations that were used to establish the 2008 annual incentive targets, with similar expectations regarding the level of difficulty inherent in attaining such targets. This year, the target value of long-term incentive awards was decreased for our named executive officers to align with the median rate for equivalent positions at peer group companies. Mr. Duncan voluntarily reduced his percentage of salary for this 2008 grant to 300% from 350%, despite contractual entitlement to the larger amount, in order to receive a reduction in award commensurate with the other executive officers. Awards of RSUs were approved at the following percentage of salary for the following named executive officers of the company: Sam Duncan, 300% of salary; Don Civgin, 125% of salary; Phillip DePaul, 80% of salary; Sam Martin, 150% of salary; and Ryan Vero, 125% of salary.

Awards of performance based RSUs were approved in the following amounts for the following executive officers of the company: Sam Duncan, 63,210 RSUs; Don Civgin, 13,700 RSUs; Phillip DePaul, 5,290 RSUs; Sam Martin, 19,600 RSUs; and Ryan Vero, 13,640 RSUs. The number of RSUs was determined based on the closing price of company common stock on February 20, 2008. Receipt of the performance based RSUs is based on the company's achievement of a two-year cumulative EBIT measure for fiscal years 2008 and 2009. If the EBIT target is achieved, then the final amounts received will be adjusted as follows: one half will be adjusted based on company Economic Value Added ("EVA®") Improvement for fiscal year 2008 and one half will be adjusted based on company EVA® Improvement for fiscal year 2009. EVA® Improvement means improvement in the dollar value of the company's EVA® for the most recently completed fiscal year compared to the dollar value of the company's EVA® for the next preceding fiscal year. If paid, one half of the award will vest and be paid in February 2010 and the remaining half of the award will vest and be paid in February 2011. Awards are paid in shares of company common stock.

Awards of time based RSUs were approved in the following amounts for the following executive officers of the company: Sam Duncan, 63,210 RSUs; Don Civgin, 13,700 RSUs; Phillip DePaul, 5,290 RSUs; Sam Martin, 19,600 RSUs; and Ryan Vero, 13,640 RSUs. The number of RSUs was determined based on the closing price of company common stock on February 20, 2008. On the third anniversary of the grant date, 100% of the time based RSUs shall vest and be paid in company common stock.

Retention Programs

In March 2005, the committee implemented a retention program because of extraordinary events at the company, including the Boise Cascade Corporation acquisition of OfficeMax, Inc. in late 2003, the divestiture of the forest products assets of Boise Cascade Corporation in late 2004 (after which our name was changed from Boise Cascade Corporation to OfficeMax Incorporated), a financial investigation and the departures of our chief executive officer, chief financial officer and president of retail operations in late 2004 and early 2005. This program was designed to retain key executives in order to provide stability within the organization. Each retention award included two elements, a cash award paid in 2006, and an award of time-vesting restricted stock that vested on March 16, 2007. The committee determined the type and size of the awards by:

- taking into account each individual's salary range and responsibilities;
- analyzing peer group companies' competitive compensation; and
- considering Cook's recommendations.

The magnitude of the total award was intended to be significant in comparison to each elected officer's salary to ensure a meaningful incentive to remain employed. The cash component was intended to ensure retention of executives over the near-term and the restricted stock component was intended to promote longer-term retention and tie the value of the award to changes in stockholder value.

To implement the first element of the retention award, the committee adopted the OfficeMax Cash Incentive Plan (the "CIP") and approved grants of cash incentive awards to certain of the elected officers. These awards vested on March 11, 2006, for those elected officers still employed by us on that date. Upon vesting, the awards were paid in cash. Mr. Duncan and Mr. Civgin did not receive any awards because they were hired after the program commenced. The following named executive officers received payouts under the CIP in 2006 as follows: Mr. DePaul, $122,500, Mr. Rowsey $412,500 and Mr. Vero $297,000.

The second element of the retention program was the issuance of time-vesting restricted stock under the OMIPP in March 2005.

The 2005 restricted stock unit grants vested 100% on March 16, 2007, the second anniversary of the grant date, for participants who were employed by the company on that date. Upon vesting, the units were distributed in shares of company common stock.

The retention program was a key component in retaining the management critical to the success of the company. We currently have no plans to grant additional retention awards.

Other Compensation Arrangements

On April 14, 2005, we entered into an employment agreement with Mr. Duncan, who became our chief executive officer on April 18, 2005. Mr. Duncan was subsequently appointed chairman of our board of directors on June 30, 2005. Mr. Duncan was hired at a time when the company was experiencing a number of challenges. In December 2003, Boise Cascade Corporation (the company's former name) completed its purchase of OfficeMax, Inc. Prior to December 2003, the company sold and distributed office products to businesses as one of its lines of business but had no retail presence. In November 2004, the company sold all lines of business other than its office products distribution businesses and changed its name to OfficeMax Incorporated. As a result, the company went through a major restructuring, including adding many new executives to the management team. In December 2004, the company commenced an internal investigation into claims by a vendor to its retail business that certain employees acted inappropriately in requesting promotional payments and in falsifying supporting documentation. In January 2005 the president of the company's retail business and its chief financial officer resigned. In February 2005, the company's chief executive officer resigned and the company announced a restatement arising from its internal investigation. In April 2005, as the company was finalizing its employment arrangements with Mr. Duncan, it was threatened with a proxy contest. As a result of all the challenges and uncertainty with respect to the company, it was crucial to chief executive officer recruitment efforts to be able to offer a competitive package that provided some certainty to the candidate. The committee believed that Mr. Duncan's initial overall compensation, as well as each element of his compensation, was reasonable when compared to relevant benchmark data, taking into account the circumstances of his recruitment and his relevant experience. Most of the aspects of Mr. Duncan's employment that are different than those paid to other named executive officers stem from the initial terms of his employment agreement, which were critical to Mr. Duncan's decision to join the company. The other named executive officers do not have employment agreements. You can read more about Mr. Duncan's agreement throughout "Compensation Discussion and Analysis" beginning on page 31 and under "Estimated Termination Benefits Mr. Duncan" beginning on page 66.

On September 19, 2005, we entered into an offer letter with Mr. Civgin effective October 3, 2005, to serve as our executive vice president, finance and to assume the position of chief financial officer. You can read more about Mr. Civgin's offer letter throughout "Compensation Discussion and Analysis" beginning on page 31 and under "Estimated Termination Benefits Mr. Civgin" beginning on page 69.

On September 12, 2007, we entered into an offer letter with Mr. Martin effective September 17, 2007, to serve as our executive vice president and chief operating officer. You can read more about Mr. Martin's offer letter throughout "Compensation Discussion and Analysis" beginning on page 31 and under "Estimated Termination Benefits Mr. Martin" beginning on page 71.

In 2005, the committee awarded Mr. Duncan 50,000 restricted stock units and stock options to purchase 250,000 shares of our common stock. Also in 2005, the committee awarded Mr. Civgin 38,000 restricted stock units and stock options to purchase 50,200 shares of our common stock. In 2007, the committee awarded Mr. Martin 11,150 restricted stock units and stock options to purchase 35,000 shares of our common stock. Each of these awards was made pursuant to the officer's agreement or offer letter with us. These additional items of compensation were part of the packages offered to these officers before they joined the company. The terms applicable to these restricted stock units and stock options are discussed in the "Award Tables" beginning on page 53.

In addition, pursuant to employment agreements entered into by Messrs. Vero and DePaul upon joining us at the time of the OfficeMax, Inc. acquisition in 2003, each received cash retention payments in 2004, 2005 and 2006. The purpose of the incentives was to encourage these individuals to remain with us during the transition period following the acquisition. Mr. Vero received $130,000, $130,000 and $390,000 in 2004, 2005 and 2006, respectively, pursuant to these provisions, and Mr. DePaul received $39,000, $39,000 and $117,000 in 2004, 2005 and 2006, respectively. The agreements terminated on December 10, 2006. Payments pursuant to the agreements were separate from and in addition to the retention awards described on page 43 under "Retention Programs."

In 2007, the company entered into a Tuition Reimbursement Agreement with Mr. DePaul in order for him to attain his MBA and use the additional skills he gains in his role as company controller. Pursuant to the agreement, the company will pay or reimburse Mr. DePaul for expenses incurred in connection with Mr. DePaul's enrollment in the Executive MBA Program at Notre Dame. Under the agreement, the company will have no obligation to pay or reimburse Mr. DePaul for the expenses of the program if he (a) voluntarily terminates his employment with the company within a specified time frame, (b) fails to complete a course, (c) fails to achieve a passing grade, or (d) his employment is involuntarily terminated (subject to certain exceptions). In addition, Mr. DePaul would be required to reimburse the company for some or all program expenses (based on the date of termination) paid by the company if his employment with the company is terminated due to a reason described in (a) or (d) in the preceding paragraph or if he terminates his participation in the program or otherwise fails to successfully complete the program within a specified time frame.

Other Benefit Programs

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

Officers with the title of senior vice president and selected elected officers are eligible to participate in our Executive Life Insurance Program, which was adopted by the committee in February 2005. Participants receive a life insurance policy with an insurance amount equal to two times their base salary from a designated insurance carrier (or three times base salary, in the case of the chief executive officer). Policy premiums, subject to some limitations, will be paid by us and will be treated as taxable compensation to the participants. Upon termination of the participant's employment, the policy remains in force until the end of the current policy period but we will not renew the policy on the next anniversary date.

Officers with the title of senior vice president or higher and selected elected officers participate in the Officer Annual Physical Program, which was adopted by the committee in 2005. Under the current program, we reimburse participating officers for the costs of an annual physical examination. Reimbursements will be treated as taxable income to the officer but will be grossed up for applicable taxes.

Officers with the title of senior vice president or higher and selected elected officers are eligible to participate in our Financial Counseling Program, which the committee adopted in 2005. Under the program, we reimburse participating officers for investment planning, tax preparation, tax planning and compliance, and estate planning. Participants may be reimbursed up to a maximum of $5,000 each calendar year. In addition, unused amounts up to $5,000 may carry forward from year to year. Reimbursements will be treated as taxable income to the officer and will be grossed up for applicable taxes (subject to the $5,000 overall annual maximum). The committee believes that these programs are competitive within our industry and the expense of these programs is offset by their attraction and retention value.

Stock Ownership Guidelines

Officers

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

- the chief executive officer should acquire and maintain stock ownership equal in value to five times his base salary;
- the president and each executive vice president should acquire and maintain stock ownership equal in value to three times his or her base salary;
- each senior vice president should acquire and maintain stock ownership equal in value to twice his or her base salary; and
- each vice president should acquire and maintain stock ownership equal in value to his or her base salary.

In determining the appropriate stock ownership levels, the committee consulted market studies by Hewitt and Cook detailing best practices among a peer group and general industry practices regarding stock ownership guidelines. Stock held directly, vested restricted stock, and stock units held indirectly through our Savings Plan and under our deferred compensation plan are taken into consideration when calculating whether an officer has met his or her stock ownership guidelines. Unvested restricted stock units and stock options are not included in determining ownership levels. Annually, management provides a report to the committee regarding the number and value of the shares of stock held by each officer subject to the guidelines. All of the officers subject to the guidelines are making progress toward satisfying the applicable guideline. Following the vesting of restricted stock units or the exercise of options, officers subject to the guidelines who have not met the guidelines are expected to retain at least 50% of the net value of shares of stock received (after payment of income tax withholding and, if applicable, exercise price). This policy applies to grants made in 2005 and later for named executive officers. As of December 29, 2007 our chief executive officer held 59.81% of his salary, our chief financial officer held 85.66% of his salary, and the other named executive officers, Mr. DePaul, Mr. Martin and Mr. Vero, held 45.18%, 0%, and 59.33% of their respective salaries.

Directors

In 2005, the Governance and Nominating Committee established stock ownership guidelines for directors. These guidelines are intended to increase the directors' stake in the company and more closely align their interests with those of the OfficeMax stockholders. These guidelines provide that over a four-year period directors should acquire and maintain stock ownership equal to three times the annual retainer amount. The amount of stock required to be held will adjust whenever the retainer for directors is adjusted. All shares of stock owned outright by a director, unvested restricted stock, and stock options with an exercise price of $2.50 per share issued under former director stock plans are taken into consideration in determining whether a director has met these guidelines. In April each year, the Governance and Nominating Committee of the board of directors will review the progress of each director towards achievement of the guidelines. The committee will apply OfficeMax's stock price on March 31 to each director's securities on that date to determine each director's level of compliance with the guidelines. Stock options will be valued at the excess of the market price of the underlying stock over the exercise price. Once a director has met these guidelines, he or she shall be deemed to continue to meet the guidelines and shall be exempt from review in future periods until such director reduces the number of securities he or she holds. Once a director reduces his or her holdings, such director will be subject to review each successive April for compliance with the guidelines.

Deferral Plans

Our Non-Qualified Executive Savings Deferral Plan and our 2005 Deferred Compensation Plan are each described beginning on page 60. The purpose of these plans is to permit participants to defer amounts that would otherwise be payable in cash and taxable on an immediate basis and to provide matching contributions that are not permissible under our Qualified Savings Plan as a result of IRS limits. The plans thereby support attraction and retention objectives by providing a competitive benefit that is tax-efficient to the participant. The plans also support our succession planning strategy by enabling participants to accumulate sufficient retirement savings, thereby promoting an orderly succession of management talent, which is particularly important as a result of the freezing of our pension plans.

Pension Plans

Our pension plan for salaried employees, described on page 63, was frozen as of December 31, 2003, and employees hired on or after November 1, 2003 are not eligible to participate in the plan. Only one of our named executive officers, Mr. Rowsey, was eligible to participate in this plan, and his benefits were frozen at approximately $30,000 annually upon reaching retirement age, which would have been 65 years. The plan was frozen because it represented a significant expense to the company and was not a benefit generally provided by competitors in our industry, and therefore was not necessary for attracting or retaining executive talent. Overall, management and the committee agree that a defined benefit pension plan provides the company less value in attracting and retaining talent, and so we have redirected that investment to other forms of compensation.

As described on page 63, Mr. Duncan's employment agreement provides that if he is employed by us on the fifth anniversary of his first day of employment, his supplemental pension benefit will vest. His benefit will generally equal a percentage of his average cash compensation (salary and bonus) over the five years prior to termination of employment. The percentage will be equal to two percent for every full year of employment. This special arrangement was negotiated at the time Mr. Duncan was hired, and in approving this benefit, the committee determined that this was an appropriate replacement for a similar benefit from his previous employer that Mr. Duncan forfeited when he joined us.

For more information on our pension plans, see "Other Compensation and Benefit Plans Pension Benefits" on page 61.

Change in Control Agreements

Mr. Duncan and each of the other named executive officers are parties to change in control agreements with us, the principal terms of which are described beginning on page 64. Under the change in control agreements, the officer will receive the benefits provided under the agreement if, after a change in control, the officer's employment is terminated other than for cause or disability (as defined in the agreement) or if the officer terminates employment after actions (as specified in the agreement) that adversely affect the officer are taken. Under the agreement, the officer must remain employed with us for six months following the first potential change in control.

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

Severance

The desire to provide reasonable and competitive severance benefits to executives who lose their jobs also affected the decision to include the severance provisions reflected in our executive severance policy and in the employment agreements of Mr. Duncan, Mr. DePaul and Mr. Vero. Mr. Duncan's agreement is described throughout "Compensation Discussion and Analysis" beginning on page 31 and the severance arising from his agreement is described in the section entitled "Estimated Termination Benefits Estimated Current Value of Potential Payments to Mr. Duncan Upon Termination" on page 68. The severance provisions pertaining to Mr. Vero and

Mr. DePaul terminated when their agreements terminated on December 31, 2006. We believed that the severance provisions of the agreements with Mr. DePaul and Mr. Vero were important in retaining the services of those officers following the OfficeMax, Inc. acquisition. The severance provisions in Mr. Duncan's agreement were also an important factor in his recruitment to the company.

Our executive officer severance policy applies to all elected officers (unless they have a superseding individual agreement) and provides, among other things, for payment in a lump sum of an amount equal to 12 months' salary if the officer's employment is terminated without cause. We may also, at our discretion, continue health, vision and dental group insurance coverage at the associate rate for up to twelve months following the officer's date of termination. We believe this severance policy is similar to policies of many of the other companies with which we compete for management talent, and is therefore a valuable recruiting tool that also helps us to retain management.

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

Relationship Among the Different Components of Compensation

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

As described above, the compensation survey provides data on the annual targeted total cash compensation and the annual targeted total direct compensation paid by the companies in the compensation survey. Management and the committee generally allocate annual compensation for each executive officer among the components described above on a basis consistent with the results of the compensation survey, although the total compensation paid to an elected officer may be above or below the median based on the survey for that individual's position, based on his or her level of responsibility, performance against annual performance goals, years of experience, and considerations of fairness and comparability within the company. The majority of named executive officers have aggregate targeted compensation that is below the targeted median benchmark rate for that executive's position. No named executive officer's aggregate targeted compensation exceeds the targeted median for that executive's position by more than 15%.

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

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

In summary, we are confident that the total compensation components provided to each of our named executive officers are competitive with the market and are aligned with the strategic goals of the company.

Recapture Policy

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

Tax Impact and Financial Implications

Under Section 162(m), certain items of compensation paid to the chief executive officer and to each of the named executive officers, other than Mr. Civgin ("Covered Employees") in excess of $1,000,000 annually are not deductible for federal income tax purposes unless the compensation is awarded under a performance-based plan approved by the stockholders. The committee believes that it is in our best interest to preserve maximum tax deductibility for compensation paid to the Covered Employees under Section 162(m), although, to maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the committee has not adopted a policy that all compensation must be deductible. The compensation plans reflect the committee's intent and general practice to pay compensation that we can deduct for federal income tax purposes. Executive compensation decisions, however, are multifaceted. The committee reserves the right to pay amounts that are not tax deductible to meet the design goals of our executive compensation program. In 2007, Mr. Duncan's salary was his only item of compensation that was not performance based. His compensation exceeded, by approximately $15,000, the $1,000,000 non-performance based compensation threshold for 2007. In order to preserve deductibility, Mr. Duncan was required to defer receipt of certain of his shares of stock that vested. In addition, as a result of the vesting of his RSUs granted in 2005, which did not constitute performance based compensation, Mr. Vero had $486,075 in compensation that was in excess of the $1,000,000 non-performance based compensation threshold for 2007. He was not required to defer receipt of the shares of stock. See the "Option Exercises and Stock Vested Table for Fiscal Year Ended December 29, 2007" on page 60.

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

Recommendation

As set forth in the "Executive Compensation Committee Report" on page 30, the committee has reviewed this Compensation Discussion and Analysis, and recommended its inclusion in this proxy statement.

Executive Compensation Committee Interlocks and Insider Participation

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

Summary Compensation Table

The following tables present compensation information for Mr. Duncan, our Chief Executive Officer, Mr. Civgin, our Chief Financial Officer, Messrs. DePaul, Martin, and Vero, our three next most highly compensated executive officers serving on December 29, 2007 and Mr. Rowsey, who departed from the company effective May 17, 2007.

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (1) (d)	Stock Awards ($) (2) (e)	Option Awards ($) (3) (f)	Non-Equity Incentive Plan Compensation ($) (4) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5) (h)	All Other Compensation ($) (6) (i)	Total ((j)
Sam K. Duncan									
Chairman of the Board and	2007	$ 975,000		$ 2,871,840	$ 359,178	$ 473,000	$ 315,739	$ 114,853	$ 5,109,
Chief Executive Officer	2006	$ 887,500		$ 2,128,235	$ 598,235	$ 1,404,000	$ 426,817	$ 127,554	$ 5,572,
Don Civgin									
Executive Vice President,									
Finance and Chief	2007	$ 511,250		$ 978,221	$ 83,829	$ 135,278			$ 1,708,
Financial Officer	2006	$ 482,500		$ 1,027,871	$ 165,680	$ 416,130			$ 2,092,
Phillip P. DePaul									
Senior Vice President,									
Controller and Chief	2007	$ 310,125		$ 266,923		$ 74,143		$ 10,357	
Accounting Officer	2006	$ 293,050	$ 239,500	$ 266,364		$ 234,000			