CORPORATE OFFICE PROPERTIES TRUST
Form 8-K
October 24, 2001

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) October 24, 2001

CORPORATE OFFICE PROPERTIES TRUST

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation)	**0-20047** (Commission File Number)	**23-2947217** (IRS Employer Identification Number)

8815 Centre Park Drive, Suite 400
Columbia, Maryland 21045
(Address of principal executive offices)

(410) 730-9092
(Registrant's telephone number, including area code)

Item 7. Financial Statements and Exhibits

The information contained in the attached exhibit is unaudited and should be read in conjunction with the Registrant's annual and quarterly reports filed with the Securities and Exchange Commission.

Exhibit Number	Description
99.1	Supplemental information dated September 30, 2001 for Corporate Office Properties Trust.

Item 9. Regulation FD Disclosure

In connection with its release of earnings on October 24, 2001, the Registrant is making available certain additional information pertaining to its properties and operations as of and for the period ended September 30, 2001. This information is filed herewith as Exhibit 99.1 and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: October 24, 2001	CORPORATE OFFICE PROPERTIES TRUST	
	By:	/s/ RANDALL M. GRIFFIN
	Name:	Randall M. Griffin
	Title:	*President and Chief Operating Officer*
	By:	/s/ ROGER A. WAESCHE, JR.
	Name:	Roger A. Waesche, Jr.
	Title:	*Chief Financial Officer*

QuickLinks

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633

1,949

1,854

Selling, general and administrative expenses

567

506

1,674

1,519

Asset impairments

—

—

—

1

Merger and restructuring expenses, net

14

22

45

62

Operating income

105

105

230

272

Other income (expense):

Interest income

7

6

18

17

Interest expense

(31

)

(13

)

(91

)

(39

)

Other income, net

4

2

11

8

Income from continuing operations before income taxes

85

100

168

258

Income tax expense

25

2

55

63

Net income from continuing operations

60

98

113

195

Discontinued operations, net of tax

—

(6

)

5

38

Net income

$

60

$

92

$

118

$

233

Basic earnings per common share

Continuing operations

$

0.11

$

0.19

$

0.20

$

0.38

Discontinued operations

—

(0.01

)

0.01

0.07

Net basic earnings per common share

$

0.11

$

0.18

$

0.21

$

0.45

Diluted earnings per common share

Continuing operations

$

0.11

$

0.19

$

0.20

$

0.37

Discontinued operations

—

(0.01

)

0.01

0.07

Net diluted earnings per common share

$

0.11

$

0.17

$

0.21

$

0.44

Dividends per common share

$

0.025

$

0.025

$

0.075

$

0.075

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the Office Depot, Inc. Form 10-K filed February 28, 2018 (the “2017 Form 10-K”).

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OFFICE DEPOT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	13 Weeks Ended September 29, 2018	13 Weeks Ended September 30, 2017	39 Weeks Ended September 29, 2018	39 Weeks Ended September 30, 2017
Net income	$ 60	$ 92	$ 118	$ 233
Other comprehensive income (loss), net of tax, where applicable:				
Foreign currency translation adjustments	3	6	(16)	24
Reclassification of foreign currency translation adjustments realized upon disposal of business	—	(7)	29	(1)
Other	—	—	—	(1)
Total other comprehensive income (loss), net of tax, where applicable	3	(1)	13	22
Comprehensive income	$ 63	$ 91	$ 131	$ 255

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the 2017 Form 10-K.

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OFFICE DEPOT, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share and per share amounts)

	September 29, 2018 (Unaudited)	December 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 925	$ 622
Receivables, net	950	931
Inventories	1,023	1,093
Prepaid expenses and other current assets	112	86
Current assets of discontinued operations	—	139
Total current assets	3,010	2,871
Property and equipment, net	744	725
Goodwill	908	851
Other intangible assets, net	434	448
Timber notes receivable	847	863
Deferred income taxes	272	305
Other assets	257	260
Total assets	$ 6,472	$ 6,323
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 1,085	$ 892
Accrued expenses and other current liabilities	1,048	986
Income taxes payable	3	5
Short-term borrowings and current maturities of long-term debt	92	96
Current liabilities of discontinued operations	—	67
Total current liabilities	2,228	2,046
Deferred income taxes and other long-term liabilities	318	336
Pension and postretirement obligations, net	83	91
Long-term debt, net of current maturities	887	936
Non-recourse debt	759	776
Total liabilities	4,275	4,185
Commitments and contingencies		
Redeemable noncontrolling interest	—	18
Stockholders' equity:		
Common stock — authorized 800,000,000 shares of $0.01 par value; issued shares — 614,128,907 at September 29, 2018 and 610,353,994 at December 30, 2017; outstanding shares — 549,648,104 at September 29, 2018 and 553,984,357 at December 30, 2017	6	6
Additional paid-in capital	2,684	2,711
Accumulated other comprehensive loss	(65)	(78)
Accumulated deficit	(160)	(273)
Treasury stock, at cost — 64,480,803 shares at September 29, 2018 and 56,369,637 shares at December 30, 2017	(268)	(246)

Total stockholders' equity	2,197	2,120
Total liabilities, redeemable noncontrolling interest and stockholders’ equity	$ 6,472	$ 6,323

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the 2017 Form 10-K.

OFFICE DEPOT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	39 Weeks Ended	
	September 29, 2018	September 30, 2017
Cash flows from operating activities of continuing operations:		
Net income	$118	$ 233
Income from discontinued operations, net of tax	5	38
Net income from continuing operations	113	195
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	142	116
Amortization of debt discount and issuance costs	7	1
Charges for losses on inventories and receivables	30	51
Asset impairments	—	1
Compensation expense for share-based payments	19	24
Deferred income taxes and deferred tax asset valuation allowances	44	36
Changes in working capital and other	200	(16)
Net cash provided by operating activities of continuing operations	555	408
Cash flows from investing activities of continuing operations:		
Capital expenditures	(121)	(92)
Purchase of leased head office facility	—	(42)
Businesses acquired, net of cash acquired	(64)	(24)
Proceeds from disposition of assets	—	28
Other investing activities	4	4
Net cash used in investing activities of continuing operations	(181)	(126)
Cash flows from financing activities of continuing operations:		
Net payments on long and short-term borrowings	(74)	(17)
Cash dividends on common stock	(42)	(39)
Share purchases for taxes, net of proceeds from employee share-based transactions	(4)	(17)
Repurchase of common stock for treasury	(22)	(34)
Payment to extinguish capital lease obligation	—	(92)
Acquisition of non-controlling interest	(18)	—
Other financing activities	1	—
Net cash used in financing activities of continuing operations	(159)	(199)
Cash flows from discontinued operations:		
Operating activities of discontinued operations	11	10
Investing activities of discontinued operations	66	(76)
Financing activities of discontinued operations	—	(8)
Net cash provided by (used in) discontinued operations	77	(74)
Effect of exchange rate changes on cash and cash equivalents	(4)	8
Net increase in cash and cash equivalents	288	17
Cash, cash equivalents and restricted cash at beginning of period	639	807

Cash, cash equivalents and restricted cash at end of period-total	927	824
Cash and cash equivalents of discontinued operations	—	(36)
Cash, cash equivalents and restricted cash at end of the period-continuing operations	$927	$ 788

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the 2017 Form 10-K.

OFFICE DEPOT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Office Depot, Inc., including its consolidated subsidiaries (“Office Depot” or the “Company”), is a leading omni-channel provider of business services and supplies, products and technology solutions. On November 8, 2017, the Company acquired CompuCom Systems, Inc. (“CompuCom”) - refer to Note 2 for additional discussion about this acquisition. Through its banner brands Office Depot®, OfficeMax®, CompuCom® and Grand&Toy®, the Company offers its customers the tools and resources they need to focus on their passion of starting, growing and running their business. The Company’s common stock is traded on the NASDAQ Global Select Market under the ticker symbol ODP. As of September 29, 2018, the Company had three reportable segments (or “Divisions”): Business Solutions Division, Retail Division and the CompuCom Division.

In September 2016, the Company’s Board of Directors committed to a plan to sell substantially all of the Company’s International Division operations (the “International Operations”). Accordingly, the Company presented the International Operations as discontinued operations beginning in the third quarter of 2016. The Company has reclassified the financial results of the International Operations to Discontinued operations, net of tax in the Condensed Consolidated Statements of Operations for all periods presented. The Company has also reclassified the related assets and liabilities as current assets and liabilities of discontinued operations on the accompanying Condensed Consolidated Balance Sheet as of December 30, 2017. The sale of the International Operations was completed as of June 30, 2018, therefore there were no assets or liabilities related to discontinued operations in the Condensed Consolidated Balance Sheet as of September 29, 2018. Cash flows from the Company’s discontinued operations are presented separately in the Condensed Consolidated Statements of Cash Flows for all periods presented in this report on Form 10-Q. The Company retained certain portions of its former International Division assets and operations consisting primarily of its global sourcing and trading operations in the Asia/Pacific region. Additional information on the Company’s discontinued operations is provided in Note 13.

The Condensed Consolidated Financial Statements as of September 29, 2018, and for the 13-week and 39-week periods ended September 29, 2018 (also referred to as the “third quarter of 2018” and “year-to-date 2018,” respectively) and September 30, 2017 (also referred to as the “third quarter of 2017” and “year-to-date 2017,” respectively) are unaudited. However, in management’s opinion, these Condensed Consolidated Financial Statements reflect all adjustments of a normal recurring nature necessary to provide a fair presentation of the Company’s financial position, results of operations and cash flows for the periods presented. Business acquisitions in 2017 and 2018 are included prospectively from the date of acquisition, thus affecting the comparability of the Company’s financial statements for all periods presented in this report on Form 10-Q.

As a result of the Company’s purchase of CompuCom in November 2017, the Company’s level of service revenue in the third quarter and year-to-date 2018 exceeded 10% of the Company’s total revenue beginning in 2018 and accordingly, revenues and cost of sales from services and products are separately disclosed on the Company’s Condensed Consolidated Statements of Operations. Prior period amounts have been reclassified to conform to the current period presentation. Note 4 describes the components of the Company’s business included in the products and services categories. In addition, as discussed below, certain amounts have been reclassified due to the Company’s adoption of the new accounting guidance related to the presentation of defined benefit plan expense. These prior period reclassifications did not affect the Company’s net income or cash flows.

The Company has prepared the Condensed Consolidated Financial Statements included herein pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Some information and note disclosures, which would normally be included in comprehensive annual financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), have been condensed or omitted pursuant to those SEC rules and regulations. For a better understanding of the Company and its Condensed Consolidated Financial Statements, the Company recommends reading these Condensed Consolidated Financial Statements in conjunction with the audited financial statements, which are included in the Company's 2017 Form 10-K. These interim results are not necessarily indicative of the results that should be expected for the full year.

Cash Management

The cash management process generally utilizes zero balance accounts which provide for the settlement of the related disbursement and cash concentration accounts on a daily basis. As of September 29, 2018 and December 30, 2017, Trade accounts payable and Accrued expenses and other current liabilities, in the aggregate, included $106 million and $53 million, respectively, of amounts not yet presented for payment drawn in excess of disbursement account book balances, after considering offset provisions.

At September 29, 2018, cash and cash equivalents from continuing operations held outside the United States amounted to $222 million.

OFFICE DEPOT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) – (Continued)

Restricted Cash

Restricted cash consists primarily of short-term cash deposits having original maturity dates of twelve months or less that serve as collateral to certain of the Company's letters of credit. Restricted cash is valued at cost, which approximates fair value. At September 29, 2018 and December 30, 2017, restricted cash amounted to $2 million and $3 million, respectively, and is included in Prepaid expenses and other current assets in the Condensed Consolidated Balance Sheets.

New Accounting Standards

Standards that are not yet adopted

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which will require lessees to recognize most leases on their balance sheets related to the rights and obligations created by those leases. The accounting treatment for lessors will remain relatively unchanged. The accounting standards update also requires additional qualitative and quantitative disclosures related to the nature, timing and uncertainty of cash flows arising from leases. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The initial standard required a modified retrospective transition approach, with application, including disclosures, in all comparative periods presented. In July 2018, the FASB approved an amendment to the new guidance that allows companies the option of using the effective date of the new standard as the date of initial application. The Company will adopt the standard in the first quarter of 2019.

Substantially all of the Company's retail store locations, supply chain facilities, certain corporate facilities and copy print equipment are subject to operating lease arrangements. While the Company is continuing to evaluate the impact that this new standard will have on its Condensed Consolidated Financial Statements, it expects to recognize significant right of use assets and related liabilities associated with its operating leases on its Condensed Consolidated Balance Sheet as of the date of adoption. The Company also expects to elect certain transition options offered by the new standard, including the option not to separate lease and non-lease components and instead to account for them as a single lease component, the option not to recognize right of use assets and related liabilities that arise from short-term leases (i.e., leases with terms of twelve months or less), and the package of practical expedients. The package of practical expedients will allow the Company to not reassess previous accounting conclusions regarding whether existing arrangements are or contain leases, the classification of existing leases, and the treatment of initial direct costs. The Company will likely not elect the hindsight practical expedient, which allows entities to use hindsight when determining lease term and impairment of right of use assets. The Company has implemented system upgrades to its existing lease systems to enable the accounting transition, and will implement updates to its control processes and procedures, as necessary, based on changes resulting from the new standard. The Company does not expect any such updates to materially affect the Company's internal controls over financial reporting.

Income taxes

In February 2018, the FASB issued an accounting standard update to address a specific consequence of the Tax Cuts and Jobs Act passed by the United States Congress on December 22, 2017 (“Tax Cuts and Jobs Act”). This accounting update allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The standard eliminates the stranded tax effects that were created as a result of the reduction of the historical U.S. federal corporate income tax rate to the newly enacted U.S. federal corporate income tax rate. The accounting update is effective January 1, 2019, with early adoption permitted, and is to be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Company is currently assessing the impact of the new standard on the Consolidated Financial Statements.

Cloud computing arrangements

In August 2018, the FASB issued an accounting standard update which provides guidance regarding the accounting for implementation costs in cloud computing arrangements. This accounting update is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted. The Company is evaluating the impact of this new standard and believes the adoption will not have a material impact on its Consolidated Financial Statements.

Defined benefit plan

In August 2018, the FASB issued an accounting standard update which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This accounting update is effective for fiscal years beginning after

OFFICE DEPOT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) – (Continued)

December 15, 2020 and interim periods within those fiscal years, with early adoption permitted. The Company is evaluating the impact of this new standard and believes the adoption will not have a material impact on its Consolidated Financial Statements.

Fair value measurements

In August 2018, the FASB issued an accounting standard update which adds, removes, and modifies the disclosure requirements related to fair value measurements. This accounting update is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted. The Company is evaluating the impact of this new standard and believes the adoption will not have a material impact on its Consolidated Financial Statements.

Standards that were adopted

Revenue recognition

In May 2014, the FASB issued a new standard that supersedes most current revenue recognition guidance and modifies the accounting for certain costs associated with revenue generation. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity is entitled to receive in exchange for those goods or services. The standard provides a number of steps to follow to achieve that principle and requires additional financial statement disclosures related to the nature, timing, amount and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new revenue standard on the first day of fiscal 2018, using the modified retrospective method, and applied the standard to contracts that were not complete as of the adoption date. As a result of applying this adoption method, the Company recognized a cumulative effect adjustment of $4 million, net of tax, to its accumulated deficit related to deferral of revenues for its loyalty program as of the first day of fiscal 2018.

The most significant impact of the standard on the Company relates to revenues from sales of third-party software which were previously reported on a gross basis, but are reported on a net basis under the new standard, with no change in timing of recognition or impact to gross profit, earnings or cash flows. This impact resulted in a reduction in both sales from services and cost of services of $9 million and $47 million during the third quarter and year-to-date 2018, respectively. The adoption of the standard also resulted in minor changes related to the timing of revenue recognition associated with the Company's loyalty program due to the impact of the loyalty program being presented as a deferral of revenues under the new standard rather than as cost of sales accruals under the previous accounting rules. In addition, the Company's balance sheet presentation of its sales return reserve has changed to present a separate return asset and liability, instead of the net presentation used in prior periods. The return asset and liability are included in Prepaid expenses and other current assets and Accrued expenses and other current liabilities, respectively, on the Condensed Consolidated Balance Sheet. Revenue recognition related to all other products and services remains substantially unchanged.

The following tables summarize the impact of adopting the new standard on the Company's Condensed Consolidated Balance Sheet as of September 29, 2018 and Statement of Operations for the third quarter and year-to-date 2018. Adoption of the new standard had no impact to the cash flows from operating, financing, or investing activities in the

Company's Condensed Consolidated Statements of Cash Flows.

	Third Quarter of 2018		Year-to-Date 2018	
(In millions)	As reported	As if the previous accounting guidance was in effect	As reported	As if the previous accounting guidance was in effect
Sales - Products	$2,453	$ 2,453	$7,072	$ 7,066
Sales - Services	434	443	1,273	1,320
Total Sales	2,887	2,896	8,345	8,386
Cost of goods sold and occupancy costs - Products	1,906	1,906	5,534	5,531
Cost of goods sold and occupancy costs - Services	295	304	862	909
Total Cost of goods sold and occupancy costs	2,201	2,210	6,396	6,440
Gross profit	686	686	1,949	1,946
Net income	60	60	118	116
Diluted earnings per share	0.11	0.11	0.21	0.21

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OFFICE DEPOT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) – (Continued)

	As of September 29, 2018	
(In millions)	As reported	As if the previous accounting guidance was in effect
Receivables, net	$950	$ 955
Prepaid expenses and other current assets	112	102
Deferred income taxes	272	270
Accrued expenses and other current liabilities	1,048	1,043
Stockholders' equity	2,197	2,197

As part of its adoption of the new standard, the Company also implemented new internal controls and key system functionality to enable the preparation of financial information on adoption. Refer to Note 4 for additional disclosures required as a result of the adoption of this new standard.

Defined benefit plan

In March 2017, the FASB issued an accounting standards update which changed the income statement presentation of defined benefit plan expense by requiring that an employer report the service cost component of pension costs in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit pension cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of operating income. The Company adopted the new accounting standards update in the first quarter of 2018. The Company has presented the other components of net periodic benefit cost in Other income, net on the Condensed Consolidated Statements of Operations, while the service cost component of pension costs continues to be presented in Selling, general and administrative expenses. Adoption of this new accounting standards update required a retrospective reclassification of $3 million and $10 million net pension benefit in the third quarter of 2017 and year-to-date 2017, respectively, from Selling, general and administrative expenses to Other income, net, and did not have an impact on the Company's Condensed Consolidated Balance Sheets or Condensed Consolidated Statements of Cash Flows.

NOTE 2. ACQUISITIONS

To further the Company’s strategic direction to transform into a more business services-driven platform offering technology products and solutions, expand its distribution network, and strengthen its core business operations, the Company acquired five businesses during year-to-date 2018. Four of these acquisitions consist of small independent regional office supply businesses that provide the Company with greater access to small and mid-market business customers in selected U.S. geographic markets across a diverse assortment of product lines, including cleaning and breakroom, technology and printing, furniture and office supplies. These four acquisitions were completed in the first quarter and third quarter of 2018. In addition, the Company’s acquisition of an enterprise information Technology Solutions Integrator and Managed Services Provider in the first quarter of 2018 provides the Company with a platform for selling or providing Internet of Things (“IoT”) related hardware and projects to the education market. IoT refers to the connection of intelligent systems and devices to allow them to automatically share information so that systems and devices work intelligently together to develop and enhance solutions and reduce human intervention.

In 2017, the Company acquired CompuCom, which is described below, three small independent regional office supply businesses with similar market and product characteristics to the four acquisitions described in the preceding paragraph, and one small independent business focused on cleaning and breakroom supplies.

OFFICE DEPOT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) – (Continued)

The aggregate total purchase consideration, including contingent consideration, for the acquisitions completed in year-to-date 2018 was approximately $82 million, subject to certain customary post-closing adjustments. The aggregate purchase price was primarily funded with cash on hand, with the remainder consisting of contingent consideration, estimated to be $15 million, to be paid in 2019. The acquisitions were treated as purchases in accordance with ASC 805, Business Combinations ("ASC 805") which requires allocation of the purchase price to the estimated fair values of assets and liabilities acquired in the transaction, and include certain amortizing intangible assets and goodwill. The Company has performed a preliminary purchase price allocations of the $82 million aggregate purchase price to the estimated fair values of assets and liabilities acquired in the transactions, including $12 million of customer relationship intangible assets and $55 million of goodwill. The remaining aggregate purchase price was primarily allocated to working capital accounts. These assets and liabilities are included in the balance sheet as of September 29, 2018. As additional information is obtained about these assets and liabilities within the measurement period (not to exceed one year from the date of acquisition), the Company will refine its estimates of fair value to allocate the purchase price. Changes in fair value of the contingent consideration may result in additional acquisition related expenses. The operating results of the office supply businesses are combined with the Company's operating results subsequent to their purchase dates, and are included in the Business Solutions Division. The operating results of the technology business is combined with the Company's operating results subsequent to its purchase date and is included in the CompuCom Division. Certain disclosures set forth under ASC 805, including supplemental pro forma financial information, are not disclosed because the operating results of the acquired businesses, individually and in the aggregate, are not material to the Company.

On November 8, 2017, the Company completed the acquisition of CompuCom by acquiring all of the capital stock of CompuCom for approximately $937 million, funded with a $750 million, 5-year term loan facility, approximately 44 million shares of Office Depot common stock with an approximate market value of $135 million, and approximately $52 million of cash on hand. CompuCom sells information technology ("IT") outsourcing services and products to enterprise organizations in the United States and Canada, and offers a broad range of solutions including end user computing support, managed IT services, data center monitoring and management, service desk, network infrastructure, IT workforce solutions, mobile device management and cloud services. The Company has performed the preliminary purchase price allocation as of the acquisition date. The preliminary purchase price allocation will be finalized during the measurement period which will not exceed one year from the acquisition date. Refer to Note 2 in the Company's 2017 Form 10-K for further information about the preliminary allocation of total purchase consideration for CompuCom.

Based on new information received, the preliminary purchase price allocations of the companies acquired in 2018 and 2017 have been adjusted during the respective measurement periods. These adjustments were insignificant individually and in the aggregate to the Company's Condensed Consolidated Financial Statements. With the exception of CompuCom, the measurement periods for acquisitions completed in 2017 closed within the third quarter of 2018.

Under the guidance on accounting for business combinations, merger and integration costs are not included as components of consideration transferred, instead, they are accounted for as expenses in the period in which the costs are incurred. Transaction-related expenses are included in the Merger and restructuring expense, net line in the Condensed Consolidated Statements of Operations. Refer to Note 3 for additional information about the merger and restructuring expenses incurred during the third quarter and year-to-date 2018.

As part of the purchase of CompuCom, the Company acquired a redeemable noncontrolling equity interest in Clearpath Holdings, LLC, a consolidated subsidiary of CompuCom. In April 2018, the Company acquired the remaining ownership interest in this subsidiary of CompuCom for cash consideration of $18 million. Clearpath Holdings, LLC controlled the redemption of the remaining ownership as it had the right to put or require CompuCom to purchase the remaining ownership interest.

As part of its strategic direction to strengthen its core business operations, in October 2018 the Company acquired a small independent regional office supply business in the U.S.

OFFICE DEPOT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) – (Continued)

NOTE 3. MERGER AND RESTRUCTURING ACTIVITY

In recent years, the Company has taken actions to adapt to changing and competitive conditions. These actions include acquiring businesses, closing facilities, consolidating functional activities, eliminating redundant positions, disposing of businesses and assets, and taking actions to improve process efficiencies. The expenses and any income recognized directly associated with these actions are included in Merger and restructuring expenses, net on a separate line in the Condensed Consolidated Statements of Operations in order to identify these activities apart from the expenses incurred to sell to and service its customers. These expenses are not included in the determination of Division operating income. The table below summarizes the major components of Merger and restructuring expenses, net.

	Third Quarter		Year-to-Date	
(In millions)	2018	2017	2018	2017
Merger and transaction related expenses, net				
Severance and retention	$ 4	$ —	$ 9	$ —
Transaction and integration	5	4	16	