

OFFICE DEPOT INC
Form 4
June 12, 2007

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
CAMPBELL CYNTHIA H

(Last) (First) (Middle)

2200 OLD GERMANTOWN ROAD, MAIL CODE: LEGL

(Street)

DELRAY BEACH, FL 33445

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
OFFICE DEPOT INC [ODP]

3. Date of Earliest Transaction (Month/Day/Year)
06/11/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
EVP-N. Amer Business Solutions

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D)	Price		
Common Stock	06/11/2007		M	A	\$ 34,301 17.55	76,222	D
Common Stock	06/11/2007		M	A	\$ 12,500 14	88,722	D
Common Stock	06/11/2007		S	D	\$ 46,801 34.77	41,921	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	Amount or Number of Shares
Option (Right to Buy)	\$ 14	06/11/2007		M	12,500	09/29/2004 ⁽¹⁾ 09/29/2013	Common Stock	12,500
Option (Right to Buy)	\$ 17.55	06/11/2007		M	34,301	02/18/2005 ⁽¹⁾ 02/18/2014	Common Stock	34,301

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
CAMPBELL CYNTHIA H 2200 OLD GERMANTOWN ROAD MAIL CODE: LEGL DELRAY BEACH, FL 33445			EVP-N. Amer Business Solutions	

Signatures

By: Christopher Davies,
Attorney-in-Fact for: 06/12/2007

__Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each option is exercisable with respect to one-third of the shares on each annual anniversary of the date of the grant.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. : 6pt"> **Severance pay plan:** Our severance pay plan provides severance benefits to our employees should their employment with us be terminated without cause and unrelated to a sale of a division or subsidiary, or as otherwise determined by the severance committee (consisting of Human Resources personnel and management), whereby the employee is entitled to an amount calculated based upon current position, salary and length of service. Our named executive officers are entitled to receive an amount equal to their annual base salary

upon termination without cause. No severance pay plan payments were made to our executive officers in fiscal 2006.

Tax Consequences of Compensation.

Our annual tax aggregate deductions for each named executive officer's compensation are potentially limited by Section 162(m) of the Internal Revenue Code to the extent the aggregate amount paid to an executive officer exceeds \$1.0 million per year, unless it is paid under a predetermined objective performance plan meeting certain requirements, or satisfies one of various other exceptions provided under Section 162(m) of the Internal Revenue Code. At our current named executive officer compensation levels, we do not presently anticipate that Section 162(m) of the Internal Revenue Code should be applicable, and accordingly, our Compensation Committee did not consider its impact in determining compensation levels for our named executive officers in fiscal 2006.

Table of Contents**Summary Compensation Table**

The following summary compensation table summarizes the total compensation awarded to our Named Executive Officers in 2006.

		Summary Compensation Table					
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock	Option	All	Total \$
				Award(s)	Award	Other	
				(\$)	(\$)	\$	
				(1)	(2)	(3)	
James D. Thompson (4) President and Chief Executive Officer	2006	\$325,000(4)	\$	\$738,956	\$55,470	\$6,357	\$1,125,783
	2005	325,000	243,750			2,100	570,850
	2004	314,615				3,637	318,252
Virginia Bunte (5) Senior Vice President Chief Financial Officer and Treasurer	2006	205,039		61,988	12,481	6,600	286,108
	2005	181,500	136,125			5,445	323,070
	2004	181,092				5,407	186,499
Kenneth Brugh (6) Vice President Real Estate and New Business Development	2006	200,000		632,126	12,481		844,607
	2005	200,000	92,000				292,000
	2004	200,000					200,000
David M. Pritchett (7) Senior Vice President Retail	2006	179,135	61,470(7)		28,306		268,911
	2005						
	2004						
Frederick Quandt (8) Senior Vice President Merchandising	2006	205,442		60,131	12,481	5,288	283,343
	2005	180,000	82,800			4,050	266,850
	2004	164,238				3,624	167,862

(1) Represents grants of restricted stock units that became fully vested upon the completion of our initial public offering in

June 2006. The restricted stock units were valued as of June 15, 2006 at \$11.25 per unit. The restricted stock units were convertible into common stock on a one-to-one basis for no consideration at the time of conversion.

- (2) Amounts shown do not reflect compensation actually received by the named executive officer, but represent the calculated compensation cost recognized by us in fiscal 2006 as determined pursuant to SFAS 123R. The assumptions underlying the calculation under SFAS 123R are discussed under Note 13, Stockholders Equity and Stock-based Compensation, in our Form 10-K for the fiscal year ended December 30, 2006.

(3) Represents matching contributions made by us under our 401(k) Plan, and in the case of Mr. Thompson, the value of personal benefits that are less than the minimum amount required to be reported.

(4) Mr. Thompson became our Chief Executive Officer and President in October 2002. Mr. Thompson's employment contract calls for an annual salary of \$375,000. Mr. Thompson has elected to be compensated in amounts shown in table above for fiscal year 2006.

(5) Ms. Bunte became our Senior Vice President, Chief Financial Officer and Treasurer in February 2006. Prior to that, Ms. Bunte was our Vice President Chief Financial Officer.

- (6) Mr. Brugh became our Senior Vice President Real Estate and New Business Development in February 2006. Prior to that, Mr. Brugh was our Vice President Retail and Real Estate. In April 2007, Mr. Brugh retired from his position as an officer of the Company.
- (7) Mr. Pritchett became our Senior Vice President Retail in March 2006. Upon his acceptance of his position with the Company, Mr. Pritchett received a signing bonus.
- (8) Mr. Quandt became our Senior Vice President Merchandising in February 2006. Prior to that, Mr. Quandt was our Vice President Merchandising.

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Equity Compensation Arrangements

2006 Incentive Compensation Plan

The Board of Directors adopted the 2006 Incentive Compensation Plan (the 2006 Plan) effective June 16, 2006. Under the 2006 Plan we may issue or grant up to 1,800,000 options to purchase shares of our common stock, stock appreciation rights and restricted stock grants or performance units to employees, members of our Board of Directors and third-party consultants. The exercise price of options granted is equal the common stock share price on the date granted. As of December 30, 2006, we had outstanding options to purchase 236,493 shares of our common stock under the 2006 Plan.

The Compensation Committee may provide for the payment of dividend equivalents with respect to shares of common stock subject to an award.

The Compensation Committee administers the 2006 Plan. The Board of Directors may, subject to any legal limitations, exercise any powers or duties of the Compensation Committee concerning the 2006 Plan. The Compensation Committee will select eligible employees, directors and/or consultants of us and our subsidiaries or affiliates to receive options or other awards under the 2006 Plan and will determine the number of shares of common stock covered by those options or other awards, the terms under which options or other awards may be exercised. The Compensation Committee is authorized to interpret the 2006 Plan and awards and to accelerate the vesting or exercisability of awards subject to the limitations of the 2006 Plan. Holders of options, SARs, unvested restricted stock and other awards may not transfer those awards, unless they die or, except in the case of incentive stock options, the Compensation Committee determines otherwise.

If we undergo a change of control, the Compensation Committee may adjust outstanding awards by substituting stock or other securities of any successor or another party to the change of control transaction, or cash out outstanding options, SARs and other awards, in any such case, generally based on the consideration received by our shareholders in the transaction.

Subject to particular limitations specified in the 2006 Plan, the Board of Directors may amend or terminate the 2006 Plan, and the Compensation Committee may amend awards outstanding under the 2006 Plan. The 2006 Plan will continue in effect until all shares of the common stock available under the 2006 Plan are delivered and all restrictions on those shares have lapsed, unless the 2006 Plan is terminated earlier by the Board of Directors.

2002 Incentive Stock Plan

In 2002, we adopted our 2002 Incentive Stock Plan (the 2002 Plan). Under the 2002 Plan, certain employees, members of our Board of Directors and third-party consultants may be granted options to purchase shares of our common stock, SARs and restricted stock grants. Options are exercisable and vest in accordance with each option agreement. As of December 30, 2006, we had outstanding options to purchase 775,065 shares of our common stock under this plan. Following the adoption of our 2006 Incentive Compensation Plan, we have not and do not intend to grant any more options under our 2002 Plan, although options previously granted under the 2002 Plan will remain outstanding and subject to its terms.

Options, stock grants and SARs granted under the 2002 Plan will accelerate and become fully vested in the event we are acquired or merge with another company. In addition, our Board of Directors may, upon a change in control, cancel the options, stock grants or stock appreciation rights, but only after providing the optionees or grantees with a reasonable period to exercise his or her options or SARs or take appropriate action to receive stock subject to any stock grants. Under the 2002 Plan, our Board of Directors will not be permitted, without the adversely affected optionee s or grantee s prior written consent, to amend, modify or terminate our stock plan if the amendment, modification or termination would impair the rights of optionees or grantees. The plan will terminate in 2012 unless terminated earlier by our board of directors.

Table of Contents**Equity Compensation Plan Table**

Plan Category	Number of Securities to Be Issued upon Exercise of Outstanding Options and Rights (a)	Weighted-Average Exercise Price of Outstanding Options (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans Excluding Securities Reflected in Column (a) (c)
Equity compensation plans approved by security holders (1)	1,020,802(2)	\$ 8.31(3)	2,637,506(4)
Equity compensation plans not approved by security holders			
Total	1,020,802	\$ 8.31	2,637,506

(1) Consists of our 2002 and 2006 Plan

(2) Includes 9,244 number of shares of deferred stock units granted to our directors that vest upon termination of their membership.

(3) Calculated without taking into account 9,244 shares of common stock subject to outstanding deferred stock units that will become issuable as those units

vest without any cash consideration for such shares.

- (4) Consists of shares available for future issuance under our 2006 Plan.

Grants of Plan-Based Awards

The following Grants of Plan-Based Awards Table summarizes the awards made to our Named Executive Officers under the 2002 Plan or the 2006 Plan.

Grant of Plan Based Awards for 2006

Name	Grant Date (2)	Threshold (\$)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)		All Other Option Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (3)
			Target (\$)	Maximum (\$)				
James D. Thompson	6/16/03(4)	\$	\$ 187,500	\$ 450,000(6)	48,311	175,453(5)	\$ 6.84	\$ 68,867
Virginia Bunte	6/16/03(4)		103,500	227,700(6)	5,510	39,477(5)	6.84	15,495
Kenneth Brugh	6/16/03(4)		100,000	200,000	41,327	39,477(5)	6.84	15,495
David M. Pritchett	6/15/06(7)		103,500	207,000		39,477	11.50	260,905
Frederick Quandt	6/16/03(4)		103,500	207,000	3,931	39,477(5)	6.84	15,495

- (1) Amounts shown represent potential cash bonus amounts that were available under

the 2006 Plan. Actual bonuses received under the 2006 Plan by the executive officers are reported in the Summary Compensation Table under the column entitled Bonus. There were no threshold targets.

- (2) Grant dates represent stock option award dates.
- (3) A discussion of the assumptions used in calculating these values may be found in Note 13 to our 2006 audited financial statements in our Form 10-K filed March 30, 2007.
- (4) Represents option grants made under the 2002 Plan, granted on June 15, 2003 three years prior to the Company's initial public offering.
- (5) In June 2006, the vesting provisions of these stock option awards

were modified to accelerate the vesting schedule, as described in the Outstanding Equity Awards table located in this Proxy.

- (6) Represents 2006 cash bonuses pursuant to the employment agreements described in the Employment Agreements section of this Proxy.
- (7) Represents grant made under the 2006 Plan on the date of the initial public offering at the offering price.

Table of Contents**OPTION EQUITY AWARDS AT FISCAL YEAR-END**

The following table contains information concerning equity awards as of December 30, 2006, of each named executive. These options were granted under the 2002 Plan or the 2006 Plan.

Option Equity Awards at Fiscal Year-End for 2006

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
James D. Thompson	105,272	70,181(1)	\$ 6.84	6/15/13
Virginia Bunte	23,686	15,791(1)	6.84	6/15/13
Kenneth Brugh	23,686	15,791(1)	6.84	6/15/13
David M. Pritchett		39,477(2)	11.50	6/15/16
Frederick Quandt	23,686	15,791(1)	6.84	6/15/13

(1) The stock options were granted on the date ten years prior to the option expiration date and was subject to a seven-year vesting period based on the Company's attainment of financial goals, with complete vesting upon the seventh anniversary of the grant date. In June 2006, the vesting provisions of the stock options under the 2002 Plan were modified to accelerate vesting of the

underlying stock options, upon the completion of the initial public offering, such that the options vested and became exercisable in a series of installments, with 20% on the first anniversary of the date of grant and the remaining portion in equal annual installments over the remaining four years on the anniversary of the initial public offering, or June 15. As a result, these options were vested at 60% at June 15, 2006 based on the original grant date of June 16, 2003.

- (2) These stock option were granted on the date ten years prior to the option expiration date. The stock options vest and become exercisable in a series of installments, with 20% on the first anniversary of the date of

grant and the
remaining
portion in equal
annual
installments
over the
remaining four
years.

Table of Contents**OPTION EXERCISES AND STOCK VESTED AT FISCAL YEAR-END**

The following table contains information concerning stock options to purchase common stock held as of December 30, 2006, by each Named Executive. These options were granted under the 2002 Plan.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
James D. Thompson			65,685	\$ 738,956(1)
Virginia Bunte			5,510	61,988(1)
Kenneth Brugh			56,189	632,126(1)
David M. Pritchett				
Frederick Quandt			5,345	60,131(1)

(1) Represents the value of restricted stock units converted to common stock upon such restricted stock units becoming fully vested following the completion of the initial public offering in June 2006. The value of the restricted stock units was based on the average trading price of the first full day of trading of our common stock on Nasdaq, or \$11.25 per share. Pursuant to the restricted

stock unit agreement, the Company withheld and submitted minimum statutory tax amounts due upon vesting of the restricted stock units. The Company was reimbursed for amounts withheld and paid on behalf of the named executive officer either through cash reimbursement or through a withholding of issued common stock at the conversion date.

Employment Agreements

We have entered into employment agreements with James D. Thompson, our President and Chief Executive Officer, and Virginia Bunte, our Senior Vice-President, Chief Financial Officer and Treasurer. In addition, we have entered into employment agreements with Carl Paul and Franklin Paul.

James D. Thompson

Under Mr. Thompson's amended and restated employment agreement entered into in May 2006, Mr. Thompson is our President and Chief Executive Officer with the powers normally and customarily associated with a president and chief executive officer in a company of similar size and operating in a similar industry. The term of Mr. Thompson's employment agreement is three years from June 2006, with automatic successive one-year extensions unless terminated by either party. Mr. Thompson's base salary was \$375,000 for fiscal 2006, including a possible annual bonus calculated based upon attainment of financial targets for that fiscal year. The Board of Directors will have the right to terminate Mr. Thompson's employment at any time with or without cause. If Mr. Thompson is terminated without cause, or he resigns for good reason, as those terms are defined in the employment agreement, he will be entitled to receive his earned but unpaid base salary and earned but unpaid bonus for any completed year, plus 200% of his current total annual base salary, the earned pro rata bonus for the year of termination, and payment by us of his and his dependents' healthcare continuation coverage premiums for two years following his termination, or, if earlier, until he and/or his dependents are eligible for coverage under another substantially equivalent plan, and his options under the 2002 Plan will continue to vest following termination. If the Company had undergone a change of control or Mr. Thompson had been terminated for any reason in 2006, he would have been entitled to severance benefits under this agreement of \$785,020. This obligation will remain in effect even if Mr. Thompson accepts other employment. Mr. Thompson will have the right to terminate his employment with us at any time with or without good reason. Should Mr. Thompson's employment be terminated for cause, or if he resigns without good reason, he will have the right to receive his earned but unpaid salary up to the date of termination and earned but unpaid bonus for any completed year. The board of directors will also have the right to terminate Mr. Thompson's

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employment on or after the date he has a disability, as such term is defined in the employment agreement. While employed by us and thereafter until the end of the restricted period, as such term is defined in the employment agreement, Mr. Thompson may not be employed by or operate a competing business, as such term is defined in the employment agreement, and Mr. Thompson may not solicit certain of our officers, employees and independent contractors, within the meaning of the employment agreement.

Virginia Bunte

Under Ms. Bunte's amended and restated employment agreement entered into in May 2006, Ms. Bunte is our Senior Vice President, Chief Financial Officer and Treasurer with the powers normally and customarily associated with such positions in a company of similar size and operating in a similar industry. The initial term of Ms. Bunte's employment agreement is one year from June 2006, with automatic successive one-year extensions unless terminated by either party. Ms. Bunte's base salary was \$207,000 for fiscal 2006, including a possible annual bonus based upon attainment of financial targets for that fiscal year. Ms. Bunte reports to our Chief Executive Officer. The Board of Directors will have the right to terminate Ms. Bunte's employment at any time with or without cause. If Ms. Bunte is terminated without cause, or she resigns for good reason, as those terms are defined in the employment agreement, she will be entitled to receive her earned but unpaid base salary and earned but unpaid bonus for any completed year, plus 200% of her current total annual base salary, the earned pro rata bonus for the year of termination, and payment by us of her and her dependents' healthcare continuation coverage premiums for two years following her termination, or, if earlier, until she is eligible for coverage under another substantially equivalent plan, and her options under the 2002 Incentive Stock Plan will continue to vest following termination. If the Company had undergone a change of control or Ms. Bunte had been terminated for any reason in 2006, she would have been entitled to severance benefits under this agreement of \$424,317. This obligation will remain in effect even if Ms. Bunte accepts other employment. Ms. Bunte will have the right to terminate her employment with us at any time with or without good reason. Should Ms. Bunte's employment be terminated for cause, or if she resigns without good reason, she will have the right to receive her earned but unpaid salary up to the date of termination and earned but unpaid bonus for any completed year. The board of directors will also have the right to terminate Ms. Bunte's employment on or after the date she has a disability, as such term is defined in the employment agreement. While employed by us and thereafter until the end of the restricted period, as such term is defined in the employment agreement, Ms. Bunte may not be employed by or operate a competing business, as such term is defined in the employment agreement, and Ms. Bunte may not solicit certain of our officers, employees and independent contractors, within the meaning of the employment agreement.

DIRECTOR COMPENSATION

The Board of Directors has adopted the Non-Employee Director Compensation Plan (the Director Compensation Plan) under which it compensates directors that are not employees of the Company or First Atlantic Capital, Ltd. Directors who are employees of either the Company or First Atlantic Capital, Ltd. may be reimbursed for their expenses, but are not otherwise compensated for service as a director.

The Director Compensation Plan provides for, Martin Hanaka, the Chairman of the Board, to receive an annual retainer in the amount of \$135,000 for services and attendance at meetings of the Board of Directors and an annual grant of deferred stock units (DSUs) in the amount of \$100,000 to be issued following the Company's Annual Meeting each year. Mr. Hanaka became Chairman of the Board in April 2007.

Additionally, the Director Compensation Plan provides a \$25,000 annual retainer for each non-employee director, as well as an annual retainer of \$15,000 for the chair of the Audit Committee, and \$5,000 annual retainers for the non-employee chairs of other standing committees. Directors are paid a fee of \$1,500 for each board meeting and \$1,000 for each committee meeting that they attend, and are reimbursed for any out-of-pocket expenses. The plan also authorizes an annual grant of DSUs in the amount of \$25,000 to be issued to directors following the Company's Annual Meeting each year. For the year prior to this year's Annual Meeting, directors were granted DSUs in an amount prorated from the time of election to the board until May 2007.

Table of Contents**DIRECTOR COMPENSATION TABLE FOR FISCAL 2006**

Name (1)	Director Compensation for 2006				Total
	Fees Earned or Paid in Cash (\$) (2)	Stock Awards (\$) (3)	Option Awards (4)	All Other Compensation (\$) (5)	
Thomas Hardy	\$ 25,000	\$22,917	\$	\$ 25,000(5)	\$72,917
Lawrence Mondry	25,500	22,917	7,225	10,000(6)	65,642
Marvin E. Lesser	32,667	22,917			55,584
Glenda Chamberlain	8,250	16,667			24,917

(1) As noted above Messrs. Berglund, Buaron, Long and Shaw are employees of First Atlantic Capital, Ltd. and, accordingly, did not receive any compensation from the Company for their service as directors. See Summary Compensation Table for disclosure related to James D. Thompson who is also the Chief Executive Officer of the Company.

(2) Represents annual retainer and board meeting attendance fees paid pursuant to the Director Compensation Plan in 2006.

(3) Represents deferred stock

units granted in 2006 under the Director Compensation Plan.

- (4) Amounts shown do not reflect compensation actually received by the director, but represent the calculated compensation cost recognized by the Company in fiscal 2006 as determined pursuant to SFAS 123R. The assumptions underlying the calculation under SFAS 123R are discussed under Note 13, Stockholders Equity and Stock-based Compensation, in our Form 10-K for the fiscal year ended December 30, 2006.
- (5) Represents fees paid pursuant to the consulting agreement with Mr. Hardy, that was terminated in December 2006.
- (6) Represents fees paid pursuant to the consulting agreement with Mr. Mondry, that was terminated in June 2006.

Compensation Committee Report

The Compensation Committee has reviewed the Compensation Discussion and Analysis and discussed that analysis with management. Based on its review and discussions with management, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for 2006 and the Company's 2007 proxy statement filed pursuant to Schedule 14A of the Securities Exchange Act of 1934. The following directors, who comprise the Compensation Committee, provide this report:

Charles Shaw

Noel Wilens

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**SECURITY OWNERSHIP BY DIRECTORS, EXECUTIVE OFFICERS
AND OWNERS OF MORE THAN FIVE PERCENT OF OUR COMMON STOCK**

The following table sets forth, as of April 11, 2007, the beneficial ownership of the Company's common stock by each of the executive officers and directors named in this Proxy Statement and all other beneficial owners of more than 5% of our outstanding common stock. Each beneficial owner has sole voting and investment power of the shares, except as noted.

Table of Contents**Security Ownership of 5% Shareholders, Directors and Officers**

Name (1)	Outstanding Common Stock	Vested DSU/Options	Total Common Stock Beneficially Owned	Percent of Common Stock Owned
<i>5% Shareholders</i>				
Atlantic Equity Partners III, L.P. (2)	7,934,418(3)		7,934,418	49.6%
BlackRock, Inc. (4)	1,120,245		1,120,245	7.0%
Carl Paul	1,523,140(5)		1,523,140	9.5%
Franklin Paul	1,523,140(5)		1,523,140	9.5%
Wellington Management Company, LLP (6)	1,216,800		1,216,800	7.6%
<i>Board of Directors</i>				
Martin Hanaka	19,186	1,902(7)	21,088	*
Thomas Berglund (2)				
Roberto Buaron (2)	7,934,418(8)		7,934,418	49.6%
Glenda Chamberlain		1,804(7)	1,804	*
James Grover (2)				*
Thomas G. Hardy	39,057	2,480(7)	41,537	*
Marvin E. Lesser	3,500	2,480(7)	5,980	*
James Long (2)				
Lawrence Mondry		2,480(7)	2,480	*
Charles Shaw (2)				*
James D. Thompson	48,311	105,272(9)	153,583	1.0%
Noel Wilens (2)	3,500		3,500	*
<i>Officers</i>				
Kenneth Brugh	41,327	3,686(9)	45,013	*
Virgina Bunte	6,510	23,686(9)	30,196	*
Matthew Corey		15,790(9)	15,790	*
Gillian Felix				
Kiprian Miles				
David Pritchett	1,304		1,304	*
Frederick Quandt	3,931	23,686(9)	27,617	*

* Represents less than 1%.

(1) Unless otherwise indicated in the footnotes, the address for the beneficial owners named above is 11000

North IH-35,
Austin, Texas
78753.

- (2) The address for these beneficial owners is *c/o* First Atlantic Capital, Ltd., 135 East 57th Street, New York, New York 10022.
- (3) Consists of 7,934,418 shares owned by Atlantic Equity Partners III, L.P. Does not include 1,523,140 shares owned by Carl and Franklin Paul that are subject to a stockholders agreement pursuant to which Carl and Franklin Paul have agreed to vote such shares in favor of nominees to our board of directors proposed by Atlantic Equity Partners III, L.P. As a result of this arrangement, Atlantic Equity Partners III, L.P. may be deemed to be the beneficial owner of the shares held by Carl and

Franklin Paul.
Atlantic Equity
Partners III, L.P.
disclaims
beneficial
ownership of
these shares. As
described in
footnote 9
below, Roberto
Buaron, one of
our directors,
has voting and
investment
power over the
shares of our
common stock
of owned by
Atlantic Equity
Partners III, L.P.

(4) The address for
these beneficial
owners is 40
East 52nd
Street, New
York, New
York 10022.

(5) Consists of
992,206 shares
owned by Carl
Paul and
530,934 shares
owned by
Franklin Paul.
Does not
include
7,934,418
shares owned by
Atlantic Equity
Partners III, L.P.
that are subject
to the
stockholders
agreement
described in
footnote 3.

(6) The address for
these beneficial

owners is 75
State Street,
Boston,
Massachusetts
02109.

(7) Represents
deferred stock
units granted
under the
Director
Compensation
Plan that are
fully vested, but
are exercisable
only upon
completion of
Board service.

(8) Consists of
7,934,418
shares owned by
Atlantic Equity
Partners III, L.P.
Mr. Buaron is
the sole member
of Buaron
Capital
Corporation III,
LLC. Buaron
Capital
Corporation III,
LLC is the
managing
member of
Atlantic Equity
Associates III,
LLC. Atlantic
Equity
Associates III,
LLC is the sole
general partner
of Atlantic
Equity
Associates III,
L.P., which is
the sole general
partner of
Atlantic Equity
Partners III, L.P.
and, as such,

exercises voting and investment power over shares of capital stock owned by Atlantic Equity Partners III, L.P., including shares of our common stock. Mr. Buaron, as the sole member of Buaron Capital Corporation III, LLC has voting and investment power over, and may be deemed to beneficially own, the shares of our common stock owned by Atlantic Equity Partners III, L.P. Excludes 1,523,140 shares owned by Carl and Franklin Paul which Atlantic Equity Partners III, L.P. may be deemed to beneficially own by virtue of the stockholders agreement described in footnote 3. Mr. Buaron disclaims beneficial ownership of the shares owned by Carl and Franklin Paul and, except to the extent of his pecuniary interest therein,

the shares held
by Atlantic
Equity Partners
III, L.P.

- (9) Represents
vested stock
options.

Table of Contents**CERTAIN TRANSACTIONS*****Management Consulting Agreement***

In connection with our acquisition by Atlantic Equity Partners in October 2002, we entered into a management consulting agreement with First Atlantic Capital, pursuant to which First Atlantic Capital agreed to advise us on management matters. In particular, First Atlantic Capital agreed to provide advisory services related to proposed financial transactions, acquisitions and other senior management matters related to the business, administration and policies of the Company upon the terms and subject to the conditions set forth in the management consulting agreement. As consideration for its management consulting services, we agreed to pay First Atlantic Capital an annual fee of up to \$0.6 million, payable in advance, in equal monthly installments on the first day of each month, commencing in October 2002 and ending in October 2012. We also agreed to reimburse First Atlantic Capital for all out-of-pocket expenses and other disbursements incurred by it or its directors, officers, employees or agents in furtherance of its obligations under the agreement. We terminated the management consulting agreement and paid First Atlantic Capital a termination fee of \$3.0 million at the closing of our initial public offering in June 2006. We will continue to reimburse First Atlantic Capital for expenses incurred in connection with meetings between representatives of First Atlantic Capital and us in connection with First Atlantic Capital's investment in us for so long as First Atlantic Capital holds at least 20% of our outstanding shares of common stock, but will not otherwise pay any fees under the Agreement.

Management Rights Agreement

We have entered into a management rights agreement with Atlantic Equity Partners effective June 2006.

In the event that we are not, or we cease to be, a controlled company because Atlantic Equity Partners does not beneficially own, on its own or as part of a group, more than 50% of our outstanding common stock, and we are required by Nasdaq regulations to have a majority of independent directors on our Board of Directors, to the extent necessary, the Board of Directors will simultaneously be reduced or increased, as the case may be, in size to nine directors. This reduction or increase would be effective immediately following the first annual or special meeting of our stockholders at which directors are to be elected (a Director Election) or effective immediately upon board action by written consent. The Board of Directors shall remain at this size until the first Director Election after the date on which Atlantic Equity Partners holds less than 10% of our outstanding common stock.

For so long as Atlantic Equity Partners continues to hold more than 25% of our outstanding common stock, it shall retain the right to designate three nominees for election to our Board of Directors, subject to compliance with Nasdaq regulations. If Atlantic Equity Partners continues to hold (1) less than 25% but at least 15% of our outstanding common stock, it will retain the right to designate two director nominees, and (2) less than 15% but at least 10% of our outstanding common stock, it will retain the right to designate one director nominee, and in each case, Atlantic Equity Partners will cause such number of directors nominated by Atlantic Equity Partners to resign as would be necessary to make the number of remaining directors correspond with Atlantic Equity Partners' designation rights unless our Board of Directors decides that any such directors should continue to serve on our Board of Directors. Once Atlantic Equity Partners holds less than 10% of our outstanding common stock, it shall have no right to designate directors. Pursuant to the management rights agreement, for so long as Atlantic Equity Partners owns any shares of our common stock, Atlantic Equity Partners shall have the right to nominate a non-voting observer to attend board or committee meetings of us and our subsidiaries, subject to such observer signing a confidentiality undertaking with us.

To the extent permitted by applicable law, Atlantic Equity Partners will have the right to include in any committee of our Board of Directors, or the Board of Directors or any committee of the Board of Directors of

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any of our subsidiaries, a number of directors equal to or greater than the proportion of directors nominated by Atlantic Equity Partners to our Board of Directors at that time.

Consulting Agreements

In June 2005, we entered into a consulting agreement with Lawrence N. Mondry, one of our directors. Under the agreement, Mr. Mondry agreed to make himself available to us to provide ten days of management consulting services relating to our retail operations and organization during each calendar year of the consulting agreement. We paid Mr. Mondry an aggregate of \$33,000 in fiscal 2005 and \$25,000 in fiscal 2006 for services provided to us under this agreement. The consulting agreement with Mr. Mondry was terminated in June 2006.

On April 5, 2006, we entered into a consulting agreement with Thomas Hardy, one of our directors, that terminated on December 31, 2006. Pursuant to the terms of the consulting agreement, Mr. Hardy provided us with management consulting services related to our retail operations and organization. We paid Mr. Hardy \$25,000 upon completion of the consulting services described.

Agreement to Provide Health Benefits to Our Founders

In connection with our acquisition by Atlantic Equity Partners, we agreed to amend our group health plan so that Carl Paul and Franklin Paul, our founders, will continue to be eligible to participate in our health plan on the same basis as full-time employees. We report these benefits under the plan as non-taxable benefits; based on our determination that such reporting is permissible. Neither we nor Carl Paul or Franklin Paul have agreed to indemnify the other party for any losses that either of us may suffer as a result of this tax reporting or the amendment to the plan.

Stock Option Grants

See Management Stock Options for a description of certain stock option grants to our executive officers.

Employment Agreements

See Management Employment Agreements for a description of certain employment agreements.

Indemnification Agreements and Liability Insurance

We have entered into indemnification agreements with each of our directors and executive officers and have purchased directors and officers liability insurance, appropriate for a public company. The indemnification agreements and our amended certificate of incorporation and bylaws require us to indemnify our directors and officers to the fullest extent permitted by Delaware law.

MISCELLANEOUS

Voting on Other Matters

Management is not aware of any other business to be transacted at the Annual Meeting. The Company's Amended and Restated Bylaws outline procedures, including minimum notice provisions, for stockholder nomination of directors and submission of other stockholder business to be transacted before the meeting. If any stockholder proposals or other business to be transacted properly come before the Annual Meeting, it is intended that the shares represented by proxies will be voted in accordance with the judgment of the persons authorized to vote them.

Proposal of Stockholders for the 2008 Annual Meeting

Any stockholder who intends to present a proposal at the annual meeting in the year 2008 (the 2008 Annual Meeting) must deliver the proposal to the Secretary at 11000 N. IH-35, Austin, Texas 78753:

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not less than 120 calendar days before the date that the Company's proxy statement is released to stockholders in connection with the 2007 Annual Meeting, if the proposal is submitted for inclusion in our proxy materials for that meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934; and

not earlier than 120 calendar days and not later than the close of business on the 90th calendar day prior to the first anniversary of the 2007 Annual Meeting, if the proposal is submitted pursuant to the Company's Amended and Restated Bylaws, in which case we are not required to include the proposal in our proxy materials.

The Company is not required to include in its proxy statement and form of proxy a stockholder proposal that fails to meet the requirements for stockholders set forth in its Amended and Restated Bylaws and/or established by the regulations of the SEC.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors, executive officers and persons who own more than ten percent of the Company's Common Stock ("Section 16 Persons") to file reports of ownership and changes in ownership in the Company's Common Stock with the SEC and Nasdaq. Based on the Company's records and other information the Company believes that all Section 16(a) filing requirements for the Section 16 Persons have been complied with during or with respect to the fiscal year ended December 30, 2006, except for the Form 4 of David Pritchett, our Senior Vice President Retail Operations, which was filed late.

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Appendix A

**GOLFSMITH INTERNATIONAL HOLDINGS, INC.
AUDIT COMMITTEE CHARTER**

The Board of Directors (the Board) of Golfsmith International Holdings, Inc. (the Company) has constituted and established an Audit Committee (the Committee) with the authority, responsibility and specific duties as described in this Audit Committee Charter (the Charter).

I. Purpose

The purpose of the Committee is to assist the Board in (i) its oversight of the integrity of the Company's financial statements and other published financial information, (ii) monitoring the performance of the Company's financial reporting process, and (iii) monitoring the Company's compliance with legal and regulatory requirements and corporate policies and controls. In addition, the Committee shall select and retain, on behalf of the Company, subject to stockholder ratification, if applicable, the independent auditors and approve all fees paid to the independent auditors.

The purposes and provisions specified in this Charter are meant to serve as guidelines, and the Committee is delegated the authority to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities. Unless otherwise prescribed in this Charter, the rules and procedures applicable to the operation of the Board shall apply to the operation of the Committee with any necessary changes. Nothing herein is intended to expand applicable standards of liability under state or federal law for directors of a Company.

The Committee relies on the expertise and knowledge of management and the independent auditor in carrying out its oversight responsibilities. Management of the Company is responsible for determining the Company's financial statements are complete, accurate and in accordance with generally accepted accounting principles. The independent auditor is responsible for auditing the Company's financial statements. It is not the duty of the Committee to plan or conduct audits, to determine that the financial statements are complete and accurate and in accordance with generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Company's standards of business conduct, codes of ethics, internal policies, procedures and controls.

II. Membership

Unless otherwise permitted by applicable law or the rules of the Nasdaq National Market and determined by the Board, the members of the Committee shall consist of three or more members of the Board as follows: At the time of the Company's initial public offering (IPO), one member of the Committee shall qualify as an independent director under applicable law and the listing requirements of the Nasdaq National Market. Ninety days following the IPO, a majority of the Committee shall qualify as independent directors. Within one year following the IPO, all members of the Committee shall qualify as independent directors.

All of the members of the Committee shall be financially literate as determined by the Board in its business judgment. At least one member of the Committee shall be a financial expert under the listing requirements of the Nasdaq National Market and the rules of the Securities and Exchange Commission (SEC) as determined by the Board in its business judgment.

The Committee's members shall be appointed by and serve at the discretion of the Board. Members shall serve until their successors are duly designated and qualified. Any vacancy in the Committee occurring for any cause whatsoever may be filled by a majority of the Board then in office.

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The Committee's chairperson shall be designated by the Board. A majority of the members of the Committee shall constitute a quorum for the transaction of business and the act of a majority of those present at any meeting at which there is a quorum shall be the act of the Committee.

III. Meetings and Authority

The Committee shall meet at least once each fiscal quarter or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information, as necessary.

The Committee shall meet separately at such times as it deems appropriate with management and representatives of the independent auditor to discuss any matters that the Committee or any of these persons or firms believe should be discussed privately. It is the responsibility of the Committee to maintain free and open communication between the Committee, the independent auditor and management of the Company.

The Committee shall have the power to retain, without Board approval and at the Company's expense, and terminate, as it deems appropriate, outside counsel, and other experts and consultants to assist the Committee in connection with its responsibilities, and shall have the sole authority to approve such firms' fees and other retention terms.

The Committee may delegate its authority to subcommittees established from time to time by the Committee, which subcommittees shall consist of one or more members of the Committee and shall report to the Committee; provided, however, that in the event the Committee delegates to a subcommittee its authority to pre-approve audit and permitted non-audit services, any determination by the subcommittee to grant such pre-approvals shall be presented to the full Committee at its next scheduled meeting.

IV. Duties and Responsibilities

The Committee shall have the power and authority of the Board to perform the following duties and to fulfill the following responsibilities:

Independent Auditor:

1. Retain and terminate the independent auditor subject, if applicable, to stockholder ratification. In making its determination regarding the retention or termination of the independent auditor and otherwise as it deems necessary, the Committee shall:
 - a. obtain and review a written report by the independent auditors describing (a) the firm's internal quality-control procedures; and (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting any independent audit carried out by the firm, and any steps taken to deal with any such issues, and (ii) review the independent auditors' work throughout the year, including obtaining the opinions of management;
 - b. receive written statements from the independent auditor delineating all relationships between the independent auditor and the Company, discuss with the independent auditor any disclosed relationships or services that may impact the objectivity and independence of the independent auditor, and recommend any appropriate actions to be taken; and
 - c. review the independent auditor's written submission to the Company of annual fees billed.
2. Pre-approve, or adopt procedures to pre-approve, all audit and all non-audit services, and related fees and terms, permitted to be provided to the Company by the independent auditor under applicable law and regulations. The pre-approval of auditing and non-auditing services can be carried out with input from, but no delegation of authority to, management.

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3. Discuss with management the timing and process for the rotation of the lead audit partner and the reviewing partner as required by applicable law and rules.
4. Establish policies for hiring employees or former employees of the independent auditor in accordance with applicable law and regulations.

Internal Accounting and Financial Controls:

1. Review with management and the independent auditor, the Company's policies and procedures relative to the adequacy of internal accounting and financial controls.
2. Evaluate whether management is effectively communicating the importance of internal accounting and financial control effectiveness.
3. Determine whether internal accounting and financial control improvement recommendations made by the independent auditor have been appropriately implemented in a timely manner by management.

Financial Reporting:

1. Review with the independent auditor: (i) the scope and results of the audit; (ii) any problems or difficulties that the auditor encountered in the course of the audit work, and management's response; and (iii) any questions, comments or suggestions the auditor may have relating to the internal controls and accounting practices and procedures, of the Company.
2. Periodically review and discuss with management and the independent auditor significant accounting and reporting issues, including financial reporting pronouncements and proposals, and understand their impact on the Company's financial statements.
3. Review with management and the independent auditor the annual and quarterly financial statements of the Company, including: the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations; any material changes in accounting principles or practices used in preparing the financial statements prior to the filing of a report on Form 10-K or 10-Q with the SEC; and the items required by Statement of Auditing Standards 61 as in effect at that time in the case of the annual statements and Statement of Auditing Standards 100 as in effect at that time in the case of the quarterly statements
4. Discuss with management generally the types of information (including financial earnings guidance) to be disclosed in earnings press releases and earnings calls, as well as to analysts and rating agencies.
5. Discuss with the independent auditors the matters required by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit effort, restrictions on the scope of procedures or access to requested information and any significant disagreements with management.
6. Prepare the Report of the Audit Committee included in the Company's annual proxy statement.
7. Receive periodic reports from the independent auditor regarding:
 - a. critical accounting policies and practices;
 - b. all alternative treatments of financial information within generally accepted accounting principles, ramifications of the use of alternative disclosures and treatments, and the treatment preferred by the independent auditor; and

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- c. other material written communications between the independent auditor and management, including any management letter or schedule of adjusted differences.
8. Review and discuss with the independent auditor, the independent auditor's judgments as to the quality, not just the acceptability, of the Company's accounting principles.
9. Review with the Company's general counsel (the "General Counsel") legal and regulatory matters that could have a material impact on the financial statements.
10. Establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, and review any complaints or concerns received pursuant to such procedures.
11. Review with management and the independent auditor (i) the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, and (ii) the processes followed for assessment of internal controls under Section 404 of the Sarbanes-Oxley Act of 2002.
12. Review with management and the independent auditor risks of material misstatements due to fraud, and the process and controls implemented by the Company to manage the risks.

Legal Compliance:

Review and monitor, as appropriate, (i) litigation or other legal matters that could have a significant impact on the Company's financial results, (ii) significant findings of any examination by regulatory authorities or agencies, in the areas of securities, accounting or tax, such as the SEC or the Internal Revenue Service, and (iii) the Company's disclosure controls and procedures. The Committee shall be fully entitled to rely on reports that it receives and shall be under no obligation to conduct any independent investigation or verification.

Other Responsibilities:

1. Periodically review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for consideration and approval.
2. Conduct an annual self-performance evaluation of the Committee.
3. Review and approve related party transactions in accordance with the listing requirements of the Nasdaq National Market or as referred by the Board.
4. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities.

V. Reporting

The Committee will apprise the Board regularly of significant developments in the course of performing the above responsibilities and duties.

Last amended: June 15, 2006

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Whether or not you plan to attend the Annual Meeting, please complete, sign, date and promptly return the accompanying proxy card in the enclosed postage-paid envelope or follow the alternate voting procedures described on the proxy.

**Golfsmith International Holdings, Inc.
ANNUAL MEETING OF STOCKHOLDERS
Thursday, May 10, 2007**

**This Proxy is solicited by the Board of Directors of Golfsmith International Holdings, Inc. (GOLF)
for use at the Annual Meeting on May 10, 2007.**

By signing this proxy, you revoke all prior proxies and appoint Mr. Thompson and Mr. Wood, and each of them, with each having the full power to appoint his substitute, to represent and to vote all the shares of Common Stock of Golfsmith International Holdings, Inc. you held in your account on April 11, 2007, at the Annual Meeting of Stockholders of Golfsmith International Holdings, Inc., and any adjournment or postponement of such meeting, in the manner specified on this proxy. In their discretion, Mr. Thompson and Mr. Wood are also authorized to vote upon such other matters as may properly come before the meeting. Management presently is not aware of any such matters to be presented for action.

The Board of Directors Recommends a Vote FOR Items 1 and 2.

- | | | |
|---------------------------|---|---|
| 1. Election of directors: | <input type="radio"/> Vote FOR all nominees
(except as marked) | <input type="radio"/> Vote WITHHELD from all nominees |
|---------------------------|---|---|
-

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(INSTRUCTIONS: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) on the line below.)

(Continued and to be dated and signed on reverse side)

2. The ratification of the selection of Ernst & Young LLP as independent auditors of the Company for 2007.

FOR AGAINST ABSTAIN

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN WILL BE VOTED FOR EACH PROPOSAL.

Address Change? Mark Box

Indicate change below:

Date: _____, 2007

Signature

Signature(s)

Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons must sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the proxy.

Mark, sign and date your proxy card, and return it in the postage-paid envelope we've provided or return it to Golfsmith International Holdings, Inc., c/o National City Bank, P.O. Box 535300, Pittsburgh, PA 15253-9873.