



FORM 10-K

STAPLES INC - SPLS

Filed: March 11, 2009 (period: January 31, 2009)

Annual report which provides a comprehensive overview of the company for the past year

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 10-K

(Mark one)

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

or

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

For the fiscal year ended: **January 31, 2009** For the transition period from _____ to _____ Commission File
Number:
0-17586

STAPLES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of
incorporation or
organization)



04-2896127
(I.R.S. Employer
Identification No.)

that was easy.™

**Five Hundred Staples Drive,
Framingham, MA 01702**

(Address of principal executive office and zip code)

508-253-5000

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.0006 per share	The NASDAQ Global Select Market

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

None

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated
filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting
company

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based on the last sale price of Staples' common stock on July 31, 2008, as reported by NASDAQ, was approximately \$15.9 billion. In determining the market value of non-affiliate voting stock, shares of Staples' common stock beneficially owned by each executive officer and director have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The registrant had 714,861,401 shares of common stock, par value \$0.0006, outstanding as of March 9, 2009.

Documents Incorporated By Reference

Listed below is the document incorporated by reference and the part of the Form 10-K into which the document is incorporated:

Portions of the Proxy Statement for the 2009 Annual Meeting of
Stockholders

Part III

PART I

Item 1. Business

Staples

Staples, Inc. and its subsidiaries ("we", "Staples" or the "Company"), the world's leading office products company, is committed to making it easy for customers to buy a wide range of office products, including supplies, technology, furniture, and business services. We pioneered the office products superstore concept by opening the first office products superstore in Brighton, Massachusetts in 1986 to serve the needs of small businesses and now serve customers of all sizes in 27 countries throughout North and South America, Europe, Asia and Australia. We operate three business segments: North American Delivery, North American Retail, and International Operations. Additional information regarding our operating segments is presented in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in this Annual Report on Form 10-K, and financial information regarding these segments is provided in Note M in the Notes to the Consolidated Financial Statements contained in this Annual Report on Form 10-K.

The Corporate Express Acquisition

In July 2008, Staples completed the acquisition of Corporate Express N.V. ("Corporate Express"), one of the world's leading suppliers of office products to businesses and institutions. The acquisition of Corporate Express established our contract business in Europe and Canada and increased our contract business in the United States. It also expanded our geographic reach. We believe that Staples and Corporate Express are complementary companies, and the acquisition is expected to yield significant synergies which will result in cost savings for Staples and our customers. We plan to operate the combined company with greater efficiency than either company could achieve individually. We anticipate that the acquisition of Corporate Express will provide us with the opportunity to:

- procure products from our vendors more efficiently,
- improve sales force productivity,
- expand our products and services offerings,
- streamline our supply chain operations,
- consolidate and strengthen our global brand,
- optimize our organizational structure,
- leverage information technology capabilities, and
- implement best practices.

Business Strategy

We view the office products market as a large, diversified market for office supplies and services, business machines and related products, computers and related products, and office furniture. We effectively reach each sector of the office products market through sales channels which are designed to be convenient to our contract, catalog, on-line and retail store customers. Our businesses attract different customer groups with distinct purchasing behaviors. For example, our Contract business targets mid-size businesses and organizations with between 20 and 500 office workers as well as Fortune 1000 companies. Our catalog and on-line customers are generally small businesses and organizations with up to 20 office workers who we target through our catalog and internet businesses. Our retail stores target home offices (customers spending over \$500 per year on office products excluding computers and furniture, including home-based businesses and teachers), and small businesses with up to 10 office workers. Our retail stores also serve a customer group we refer to as "casual consumers," who shop less frequently than home office and small business customers. Our ability to address customer groups with different needs increases and diversifies our available market opportunities; increases awareness of the Staples brand among customers in all segments, who often shop across multiple sales channels; and allows us to benefit from a number of important economies of scale, such as increased buying power, enhanced efficiencies in distribution and advertising, and improved capacity to leverage general and administrative functions.

We strive to provide superior value to our customers through a combination of low prices, a broad selection of products, high quality and innovative Staples brand products, convenient store locations, easy to use web sites, reliable and fast order delivery, and excellent customer service. Our strategy is to maintain our leadership in the office products

industry through our focus on three principles: differentiating ourselves by delivering on our brand promise: *we make buying office products easy*; achieving industry-best execution; and growing our customer base around the world.

North American Delivery

Our North American Delivery segment consists of the U.S. and Canadian business units that sell and deliver office products and services directly to consumers and businesses and includes: "Contract" (including Corporate Express), "Staples Business Delivery" and "Quill."

Contract: Our Contract operations focus on serving the needs of mid—sized businesses and organizations (20 or more office workers) through Staples Business Advantage and Fortune 1000 companies through Staples National Advantage. Contract customers often require more service than is provided by a traditional retail or mail order business. Through our Contract sales force, we offer customized pricing and payment terms, usage reporting, the stocking of certain proprietary items, a wide assortment of eco-friendly products and services, and full service account management.

Staples Business Delivery: Our Staples Business Delivery operations combine the activities of our direct mail catalog business, operating since 1990, our *Staples.com* web site, and our Canadian Internet sites. Staples Business Delivery is primarily designed to reach small businesses and home offices, offering next business day delivery for most office supply orders in a majority of our markets. We market Staples Business Delivery through catalog mailings, direct mail advertising, a telesales group generating new accounts and growing existing accounts, and Internet and other broad-based media advertising.

Quill: Founded in 1956 and acquired by Staples in 1998, Quill is a direct mail catalog and Internet business with a targeted approach to servicing the business product needs of small and medium-sized businesses in the United States. To attract and retain its customers, Quill offers outstanding customer service, Quill brand products, and special services. Quill also operates Medical Arts Press, a specialty Internet and catalog business offering products for medical professionals.

Our strategies for North American Delivery focus on customer service, customer acquisition and retention, and selling a broader assortment of products and services to our customers to grow our delivery business and increase its profitability. The addition of Corporate Express expands our offering into areas including promotional products, furniture, facilities supplies, printing, and data center supplies. We continue to focus on improving our perfect order metric, which measures the number of orders that we fulfill on time and without error. We have established industry leading customer service standards to improve recovery of service failures and to make it easy for customers to resolve any issues with their orders. Over the next few years, the successful integration of Corporate Express will be a key driver of our North American Delivery results. These efforts include rationalization of distribution facilities, consolidating systems and websites and fleet optimization. We will continue to integrate our sales forces, sharing best practices to drive sales force productivity.

North American Retail

Our North American Retail segment consists of 1,835 stores throughout the United States and Canada at the end of fiscal 2008. Our North American retail stores are located in 47 states, the District of Columbia, 10 Canadian provinces and 2 Canadian territories in both major metropolitan markets and smaller markets. We operate multiple retail formats tailored to the unique characteristics of each location. To increase the productivity of our new stores, we recently reduced the size of our prototypical "Dover" superstore to 18,000 square feet from 20,000 square feet. While the "Dover" format represents the majority of our U.S. store base, we also operate a 14,600 square foot format designed for rural markets and a 10,000 square foot store suited to dense urban markets such as New York City. The customer friendly "Dover" design appeals to the customer with an open store interior that gives the customer a better view of our wide selection of products, making it easier to find products. Currently, we operate approximately 850 "Dover" stores and have implemented key elements of the "Dover" model in the majority of our prior store formats. Additionally, we operate copy and print centers within all of our North American Retail stores. We also operate a 4,000 square foot stand alone copy and print shop format to address the attractive quick print market opportunity. This store is designed for locations with high customer density and offers a full service copy and print shop and an 1,800 stock keeping unit (SKU) supplies assortment. At the end of fiscal 2008, our North American Retail store count included 18 stand alone copy and print shops.

Our strategy for North American Retail focuses on offering an easy-to-shop store with quality products that are in-stock and easy to find, with fast checkout and courteous, helpful and knowledgeable sales associates. Our goals are to

continue to be a destination for ink and toner, to become an authority for business technology, and to establish leadership in copy and print services. Store associates are trained to deliver excellent service through our "EasyWay" service model, which encourages engagement with customers and solution selling. As a result of our focus on service, training programs, and offering incentives to reward excellent customer service, customer satisfaction survey scores have improved for the past several years.

Our real estate strategy is to expand our store base in a steady and disciplined fashion to produce strong sales and yield high returns on our investments. We believe that our network of stores and delivery businesses enhances our profitability by allowing us to leverage marketing, distribution and supervision costs. In determining where to open new retail stores, we assess potential real estate sites through a stringent approval process which evaluates the financial return for each store. Our evaluations consider such factors as the concentration of small and mid-sized businesses and organizations, the number of home offices, household income levels, our current market presence, proximity to competitors, the availability of quality real estate locations and other factors.

We plan to open approximately 55 new stores in North America in 2009, compared to 106 new stores in 2008, and 120 new stores in 2007. The growth program for 2009 will continue to focus on adding stores to existing markets as well as expansion into new markets, and will include 10 stand alone copy and print shops.

International Operations

Following the Corporate Express acquisition, our International Operations segment serves customers of all sizes through retail stores, catalog operations and a contract business. Our International businesses operate under various names in 25 countries in Europe, Asia, South America and Australia.

Europe is an important market for Staples. The combination with Corporate Express transforms our European business into a multi-channel offering across 19 countries. We are working towards increasing profitability for the overall business by improving execution, increasing sales of own brand products, and capitalizing on potential synergies in procurement, supply chain, and shared administrative services. We previously managed our European operations by individual channel and by individual country but we recently implemented a regional management structure that reduces administrative costs, reinforces our multi-channel value proposition and leverages best practices.

We also operate a European printing systems business which we acquired from Corporate Express. This business is a leading value added reseller of printing equipment and related services, supplies, and spare parts, and is the largest independent distributor of Heidelberg offset printing presses.

Operations in Asia and South America continue to provide a platform for growth. We operate retail and delivery businesses in China, a delivery business in Taiwan through a joint venture with UB Express, and a multi-channel business in India through a joint venture with Future Group. We also operate delivery businesses in Argentina and Brazil and a retail business in Argentina.

With the acquisition, Staples acquired a 59% ownership interest in Corporate Express Australia Limited, a public company traded on the Australian Stock Exchange. This delivery business is a leading supplier of office, warehouse and factory essentials in Australia and New Zealand.

Merchandising

We sell a wide variety of office supplies and services, business machines and related products, computers and related products, and office furniture. Our merchandising staff uses integrated computer systems to perform the vast majority of our merchandise planning and product purchasing centrally. However, some of our business units, particularly Quill, our Canadian operations, and our multiple international businesses, leverage our global buying and merchandising staff along with local staff to meet their specific buying and merchandising needs. We purchase products from several hundred vendors worldwide, and we believe that competitive sources of supply are available to us for substantially all of the products we carry.

We have approximately 15,000 SKUs stocked in our North American Delivery fulfillment centers and approximately 8,000 SKUs stocked in each of our typical North American retail stores. Our merchandising team constantly reviews and updates our product assortment to respond to changing customer needs and to maximize the performance of our key categories. Ink and toner remain important product categories, and we continue to gain market share in these areas by offering a wide assortment, an in-stock guarantee, and a strong pricing message which communicates the benefits of our loyalty program, cartridge recycling rebates, and multi-pack discounts. We have also enhanced our technology and copy

and print offering. We continue to partner with the best manufacturers in the office products industry to improve our offering and provide value to customers.

Our product offering includes Staples, Quill, and other proprietary branded products, which represented approximately 23% of our sales in 2008, excluding the results of Corporate Express. Corporate Express also has an own brand program that we will be transitioning to the Staples brand over time. We offer more than 2,000 own brand products, including an assortment of Staples "Eco-Easy" products, delivering value to our customers with prices that are on average 10% to 15% lower than the national brand. These products also generate higher gross margin rates on average than national brands. Our own brand strategy focuses on offering national brand quality at lower prices with a full range of marketing initiatives including clear and impactful packaging, in-store displays, sampling and advertising. We have brought to market hundreds of new Staples brand products, many of which are innovative and exclusive to Staples. Our long-term goal is to grow own brand products to 30% of total product sales. Our sourcing office in Shenzhen, China supports our own brand strategy by ensuring high quality and timely delivery, driving lower costs, and bringing new products to market more quickly.

We also offer an array of services, including high-speed, color and self-service copying, other printing services, faxing and pack and ship. The multi-billion dollar copy and print market is highly fragmented, and we believe we have a significant opportunity to gain share in this market. Over the past several years, we have upgraded the technology, signage, labor, training and quality processes in our copy and print centers across the chain. Investments in new services, marketing, and pricing drive greater customer awareness of our capabilities. Our copy and print business is highly profitable, and growth in this area contributes meaningfully to gross margin. We also offer copy services to our Contract customers in North America, leveraging our sales force and delivery network.

Another important service opportunity is in the technology services arena, a fragmented market largely served by local independents. We provide a full range of installation, upgrade, and repair services, as well as data protection, privacy, and security services through our "EasyTech" program. Currently, all of our stores have at least one Staples EasyTech position, and we continue to invest in our technology services infrastructure to further develop our range of capabilities.

The following table shows our sales by each major product line as a percentage of total sales for the periods indicated:

	Fiscal Year Ended		
	January 31, 2009	February 2, 2008	February 3, 2007
Office supplies and services	47.3%	41.8%	40.7%
Business machines and related products	28.2%	30.5%	30.2%
Computers and related products	17.6%	20.5%	21.6%
Office furniture	6.9%	7.2%	7.5%
	100.0%	100.0%	100.0%

Supply Chain

We operate two distinct networks to service the majority of the replenishment and delivery requirements for North America: a network of 70 delivery fulfillment centers to support our North American Delivery operations and a separate network of four retail distribution centers in California, Connecticut, Indiana and Maryland to support our U.S. retail operations. The addition of Corporate Express added 38 fulfillment centers to our existing North American Delivery network. Most products are shipped from our suppliers to the fulfillment and distribution centers for delivery to our customers through our delivery hubs and reshipment to our stores. Over time, we expect to rationalize the fulfillment center network to increase supply chain productivity, improve customer service and save costs by closing some of the duplicative fulfillment centers.

We believe our retail distribution centers provide us with significant labor and merchandise cost savings by centralizing receiving and handling functions and by enabling us to purchase in full truckloads and other economically efficient quantities from suppliers. We also believe that the reduction in the number of purchase orders and invoices processed results in significant administrative cost savings. Our centralized purchasing and distribution systems also permit our store associates to spend more time on customer service and store presentation. Since our distribution centers maintain backup inventory, our in-store inventory requirements are reduced, and we operate smaller gross square

footage stores than would otherwise be required. A smaller store size reduces our rental costs and provides us with greater opportunity to locate stores closer to our target customers.

While we continue to improve supply chain performance in our European operations, our overall warehouse network offers a significant opportunity over the longer term. The combined Staples and Corporate Express business operates 31 facilities in Europe, and we are developing a multi-year plan to consolidate facilities and improve customer service. We continue to evaluate opportunities for process improvement in our supply chain practices throughout our International Operations.

Marketing

We pursue a variety of marketing strategies to maintain high brand awareness, and attract and retain our target customers. These strategies include broad-based media advertising such as television, radio, newspaper circulars, print, and Internet advertising, as well as catalogs, e-mail marketing, loyalty programs, and sophisticated direct marketing capabilities. In addition, we market to larger companies through a combination of direct mail catalogs, customized catalogs, and a field sales force. We change our level of marketing spend, as well as the mix of media employed depending upon market, customer value, seasonal focus, competition, and cost factors. This flexible approach allows us to optimize the effectiveness and efficiency of our marketing expenditures.

Our marketing message focuses on the communication of our brand promise: *we make buying office products easy*. The look and feel of our advertising vehicles reflect our "Easy" brand promise, and we are consistently communicating the brand across all channels and customer touch points, including our signage, television commercials, catalogs, web sites, circulars, direct marketing, and store uniforms. Given the current weak economic environment, we are shifting our marketing message to emphasize that it is easy to save at Staples and to highlight Staples Brand Products. Over time, we plan to transition to a global Staples brand, with a few exceptions such as Quill and Corporate Express Australia.

Our retail, catalog and *Staples.com* marketing efforts generally focus on small businesses and home offices. Our marketing strategies emphasize our strong brand and leverage all of our retail and delivery vehicles to send a consistent message to our core customers. We also target our back-to-school, holiday, and tax-time selling seasons, and drive greater awareness and trial of important growth initiatives such as copy and print services and Staples EasyTech. We continue to improve our systems and capabilities to track our customers' multi-channel purchasing behaviors and to execute more effective direct marketing and customer loyalty programs to drive higher sales across all our channels.

Associates, Training and Corporate Values

We have a strong corporate culture that values ethics, high performance, entrepreneurship, and teamwork. We place great importance on recruiting, training, retaining, and providing the proper incentives for high quality associates. Offering attractive career opportunities and a commitment to a diverse and safe work environment, we pride ourselves on being a workplace of choice.

We consider customer relations and our associates' knowledge of office products and related capital goods to be significant to our marketing approach and our ability to deliver customer satisfaction. Associates are trained in a number of areas, including, where appropriate, sales techniques, management skills, and product knowledge.

As of January 31, 2009, Staples employed 57,291 full-time and 33,834 part-time associates.

Staples is committed to responsible corporate citizenship, or what we refer to internally as Staples Soul. Staples Soul is a holistic approach to business that recognizes the close connection between our financial success and our desire to make a positive impact on our associates, communities, and the planet. We believe that by practicing sound ethics, sustaining the environment, embracing diversity, and giving back to the community, we will solidify our place as the world's best office products company.

Ethics—Ethics at Staples is more than a set of policies on paper. It is part of our culture. Staples maintains ethical business practices by encouraging open and honest communication and giving associates practical tools to make sound decisions. We conduct ethics training around the world to help our associates understand that their actions have an impact on other associates, our customers, our suppliers, and our shareholders. Our training identifies ethical dilemmas that associates might face, and provides information on the many ways associates can get help and report concerns. In doing this, we ensure that Staples associates act in the best interest of the company and protect our brand reputation.

Environment—Staples seeks to make it easy for our customers, suppliers and associates to make a difference. We are committed to offering a broad selection of environmentally preferable products, providing easy recycling solutions for

customers and associates, investing in operational improvements such as energy conservation and green building practices, working with our global suppliers to drive environmental improvements to their operations, and expanding environmental awareness internally and externally. These initiatives help preserve natural resources for future generations while helping meet customer needs, create operational efficiencies, and spark new business opportunities.

Diversity—Diversity at Staples goes beyond race and gender. We believe our workforce and our suppliers must reflect the face of our customers. Therefore, we strive to offer an inclusive business environment that offers diversity of people, thought, experience, and suppliers. Our diverse workforce and network of suppliers deepens our relationships with our customers, gives us the flexibility to react to the ever changing marketplace, and inspires us to think more creatively as a company.

Community—Staples is committed to supporting charitable endeavors that make a difference in each and every community where we operate. Through Staples Foundation for Learning, national charitable partnerships, and in-kind donations, we support communities worldwide by providing resources to non-profit organizations that provide educational opportunities for all people, with a special emphasis on disadvantaged youth. Some of Staples Foundation for Learning's national partners include Boys and Girls Clubs of America, Ashoka, Earth Force and the Initiative for a Competitive Inner City.

Competition

We compete with a variety of retailers, dealers and distributors in the highly competitive office products market. We compete in most of our geographic markets with other high-volume office supply chains, including Office Depot and OfficeMax, as well as mass merchants such as Wal-Mart, warehouse clubs such as Costco, computer and electronics superstores such as Best Buy, copy and print businesses such as FedEx Office, online retailers such as Amazon.com, ink cartridge specialty stores, and other discount retailers. In addition, both our retail stores and delivery operations compete with numerous mail order firms, contract stationers, electronic commerce distributors, regional and local dealers and direct manufacturers. Many of our competitors have increased their presence in our markets in recent years. Some of our current and potential competitors are larger than we are and have substantially greater financial resources.

We believe we are able to compete favorably against other high-volume office supply chains, mass merchants and other retailers, dealers and distributors because of several factors: our focus on the business customer and home office; our tenured management team's ability to respond to the dynamic markets in which we operate and the changing needs of our customers; courteous, helpful and knowledgeable associates focused on making it easy for customers to buy office products and services; a wide assortment of office supplies that are in-stock and easy to find; fast checkout; easy to use web sites; reliability and speed of order shipment; convenient store locations; hassle-free returns and competitive prices.

Trademarks, Patents, Copyrights, and Domain Names

We own or have applied to register numerous trademarks and service marks in the United States and throughout the world in connection with our businesses. Some of our principal global and regional marks include Staples, the Staples red brick logo, Staples the Office Superstore, the Easy Button, "that was easy", Quill, the Quill feather logo, Corporate Express, and many other marks incorporating "Staples," which in the aggregate, we consider to be of material importance to our business. While the duration of trademark registrations varies from country to country, trademarks are generally valid and may be renewed indefinitely so long as they are in use and their registrations are properly maintained.

We own and maintain a number of patents internationally on certain products, systems and designs. We also own copyrights for items such as packaging, training materials, promotional materials and in-store graphics. In addition, we have registered and maintain numerous Internet domain names, including many that incorporate "Staples."

Available Information

We maintain a web site with the address www.staples.com. We are not including the information contained on our web site as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. We make available free of charge through our web site our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (SEC).

We were organized in 1985 and are incorporated in Delaware.

EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers, their respective ages and positions as of March 9, 2009 and a description of their business experience is set forth below. There are no family relationships among any of the executive officers named below.

Kristin A. Campbell, age 47

Ms. Campbell has served as Senior Vice President, General Counsel and Secretary since June 2007. Prior to that, she served as Senior Vice President and Deputy General Counsel since March 2002. She has held other roles within Staples since joining in December 1993.

Joseph G. Doody, age 56

Mr. Doody has served as President-Staples North American Delivery since March 2002. Prior to that, he served as President—Staples Contract & Commercial from November 1998, when he first joined Staples, until March 2002.

Christine T. Komola, age 41

Ms. Komola has served as Senior Vice President and Corporate Controller since July 2004. Prior to that, she served as the Senior Vice President, General Merchandise Manager for furniture from January 2002 to July 2004. She has also held other roles within Staples since joining in April 1997, including Assistant Controller, Vice President of Planning, Margin and Control, and Chief Financial Officer of Staples.com.

John J. Mahoney, age 57

Mr. Mahoney has served as Vice Chairman and Chief Financial Officer since January 2006. Prior to that, he served as Executive Vice President, Chief Administrative Officer and Chief Financial Officer since October 1997, and as Executive Vice President and Chief Financial Officer from September 1996, when he first joined Staples, to October 1997.

Michael A. Miles, age 47

Mr. Miles has served as President and Chief Operating Officer since January 2006. Prior to that, he served as Chief Operating Officer since September 2003. Prior to joining Staples in September 2003, Mr. Miles was Chief Operating Officer, Pizza Hut for Yum! Brands, Inc. from January 2000 to August 2003.

Demos Parneros, age 46

Mr. Parneros has served as President—U.S. Stores since April 2002. Prior to that, he served in various capacities since joining Staples in October 1987, including Senior Vice President of Operations from March 1999 to March 2002 and Vice President of Operations from October 1996 to February 1999.

Ronald L. Sargent, age 53

Mr. Sargent has served as Chairman since March 2005, as Chief Executive Officer since February 2002 and as a Director since 1999. Prior to that, he served in various capacities since joining Staples in March 1989, including President from November 1998 to January 2006, Chief Operating Officer from November 1998 to February 2002, President—North American Operations from October 1997 to November 1998, and President-Staples Contract & Commercial from June 1994 to October 1997.

Peter Ventress, age 48

Mr. Ventress has served as President of Staples International since July 2008, when Staples acquired Corporate Express N.V. Prior to the acquisition, he served as Corporate Express' Chief Executive Officer and a member of its Executive Board since October 2007. He has also served in a number of senior management roles at Corporate Express, including President of Corporate Express Europe from October 2005 to October 2007, President of Corporate Express Canada from January 2002 to October 2005, Regional President Corporate Express Europe from October 2001 to December 2002, and President of Burhmann France from October 1999 to October 2001.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and, in particular, the description of our Business set forth in Item 1 and our Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in Appendix B ("MD&A") contain or incorporate a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 ("the Exchange Act").

Any statements contained in or incorporated by reference into this report that are not statements of historical fact should be considered forward-looking statements. You can identify these forward-looking statements by use of the words "believes," "expects," "anticipates," "plans," "may," "will," "would," "intends," "estimates", and other similar expressions, whether in the negative or affirmative. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate and management's beliefs and assumptions and should be read in conjunction with our MD&A and our consolidated financial statements and notes to condensed consolidated financial statements included in Appendix C. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in the forward-looking statements made. There are a number of important risks and uncertainties that could cause our actual results to differ materially from those indicated by such forward-looking statements. These risks and uncertainties include, without limitation, those set forth below under the heading "Risk Factors." Forward-looking statements, like all statements in this report, speak only as of the date of this report (unless another date is indicated). We disclaim any obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise.

Item 1A. Risk Factors

Deteriorating economic conditions may continue to cause a decline in business and consumer spending which could adversely affect our business and financial performance.

Our operating results and performance depend significantly on worldwide economic conditions and their impact on business and consumer spending. The decline in business and consumer spending resulting from the global recession and the recent deterioration of global credit markets has caused our same store sales to decline from prior periods in our retail businesses. We have also seen a decline in average sales per customer in both our delivery and retail businesses. Our business and financial performance may continue to be adversely affected by current and future economic conditions, which may cause a continued or further decline in business and consumer spending.

Our market is highly competitive and we may not continue to compete successfully.

The office products market is highly competitive. We compete with a variety of local, regional, national and international retailers, dealers and distributors for customers, associates, locations, products, services, and other important aspects of our business. In most of our geographic markets, we compete with other high-volume office supply chains such as Office Depot and OfficeMax, as well as mass merchants such as Wal-Mart, warehouse clubs such as Costco, computer and electronics superstores such as Best Buy, copy and print businesses such as FedEx Office, online retailers such as Amazon.com, ink cartridge specialty stores, and other discount retailers. Our retail stores and delivery operations also compete with numerous mail order firms, contract stationer businesses, electronic commerce distributors, regional and local dealers and direct manufacturers.

We strive to differentiate ourselves from our competitors in part by executing our brand promise: *we make buying office products easy*. This involves, among other things, offering our customers a broad selection of products, convenient store locations, and reliable and fast order delivery. Many of our competitors, however, have increased their presence in our markets in recent years by expanding their assortment of office products and services, opening new stores near our existing stores, and offering direct delivery of office products. Some of our current and potential competitors are larger than we are and have substantially greater financial resources that may be devoted to sourcing, promoting and selling their products. If we fail to execute on our brand promise or are otherwise unable to differentiate ourselves from our competitors, we may be unable to attract and retain customers.

We may not be able to successfully integrate Corporate Express into our operations to realize anticipated benefits and our growth may strain our operations.

In July 2008, we acquired Corporate Express. The integration of our Corporate Express operations will be a complex and time-consuming process that may disrupt the combined company's business if not completed in a timely and efficient manner. As a result, we may experience the following:

- impairment of relationships with customers, vendors or key employees;
- substantial demands on our management that may limit their time to attend to other operational, financial and strategic issues;
- difficulty in the integration of operational, financial and administrative functions and systems to permit effective management, and the lack of control if such integration is not implemented or delayed;

- difficulty in the global coordination of marketing, supply chain and sales efforts;
- potential conflicts between business cultures; and
- unexpected liabilities associated with the acquired business or unanticipated costs related to the integration.

We currently expect to realize certain synergies and cost savings as a result of the acquisition. If we fail to successfully integrate our businesses or fail to realize the intended benefits of the acquisition, our business may be adversely affected and the market price of our common stock could decline.

Our business has grown dramatically over the years. Although we expect our business to continue to grow organically and through strategic acquisitions, it will likely not grow at the rate experienced in the last year, when we acquired Corporate Express. Sales of our products and services, the mix of our businesses, the number of countries in which we conduct business, the number of stores that we operate and the number of associates working with us have grown, and we expect they will continue to grow in the long-term. This growth places significant demands on management and operational systems. If we cannot effectively manage our growth, it is likely to result in operational inefficiencies and ineffective management of our business. In addition, as we grow, our business is subject to a wider array of complex state, federal and international regulations, and may be increasingly the target of private actions alleging violations of such regulations. This increases the cost of doing business and the risk that our business practices could unknowingly result in liabilities that may adversely affect our business and financial performance.

If we are unable to manage our debt, it could materially harm our business and financial condition and restrict our operating flexibility.

Our borrowings and debt service requirements have increased substantially in connection with the acquisition of Corporate Express. Since the acquisition in July 2008, we have made significant progress in refinancing the debt associated with the acquisition and repaying amounts borrowed. With the issuance of \$1.5 billion 9.75% notes, which mature in January 2014, and available cash, we have reduced our total debt by approximately \$1.0 billion since the second quarter of 2008. Our consolidated outstanding debt as of January 31, 2009 was \$3.42 billion, of which approximately \$1.47 billion becomes due later this year. If we are unable to satisfy our debt service requirements, we may default under one or more of our credit facilities or the indentures governing our notes. If we default or breach our obligations, we could be required to pay a higher rate of interest or lenders could require us to accelerate our repayment obligations, and such a default could materially harm our business and financial condition.

We plan to use a significant portion of our operating cash flow to reduce our outstanding debt obligations over the next several years. Our level of indebtedness combined with the recent unprecedented deterioration of the global credit and financial markets may have significant consequences, including: restricting our growth; making us more vulnerable to a downturn in our business; making it more expensive to obtain future financing; making it more difficult for us to satisfy our obligations; limiting our ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, future acquisitions or other corporate purposes; restricting our flexibility to respond to changing market conditions; and limiting our ability to use operating cash flow in other areas of our business. As a result of our increased debt, we may also be placed at a competitive disadvantage against less leveraged competitors.

We may be unable to continue to open new stores and enter new markets successfully.

An important part of our business plan is to increase our number of stores and enter new geographic markets. However, due to the current economic environment, we currently plan to open fewer stores this year than we have in recent periods. During 2009, we plan to open approximately 65 new stores in North America, Europe and Asia. For our strategy to be successful, we must identify favorable store sites, negotiate leases on acceptable terms, hire and train qualified associates and adapt management and operational systems to meet the needs of our expanded operations. These tasks may be difficult to accomplish, especially as we allocate time and resources to managing the profitability of our large existing portfolio of stores and renewing our existing store leases with acceptable terms. In addition, local zoning and other land use regulations may prevent or delay the opening of new stores in some markets. If we are unable to open new stores as efficiently as we planned, our future sales and profits may be adversely affected.

Our strategy also includes opening new stores in markets where we already have a presence so we can take advantage of economies of scale in marketing, distribution and supervision costs. These new stores may draw customers away from existing stores in nearby areas causing customer traffic and comparable store sales performance to decline at those existing stores. Our expansion strategy also includes opening stores in new markets where customers may not be familiar with our brand, where we may not be familiar with local customer preferences or where our competitors may

have a large, established market presence. Even if we succeed in opening new stores, these new stores may not achieve the same sales or profit levels as our existing stores and may reduce our overall profitability.

We may be unable to attract and retain qualified associates.

Our customers value courteous and knowledgeable associates, and an important part of our "Easy" brand strategy is a positive customer service experience. Accordingly, our performance is dependent on attracting and retaining a large number of qualified associates. We face intense competition for qualified associates. We face even tighter labor markets as we expand into emerging markets such as India and China. Many of our associates are in entry-level or part-time positions with historically high rates of turnover. Our ability to meet our labor needs while controlling our labor costs is subject to numerous external factors, including the availability of a sufficient number of qualified persons in the workforce, unemployment levels, prevailing wage rates, changing demographics, health and other insurance costs and changes in employment legislation. If we are unable to attract and retain a sufficient number of qualified associates, our business and financial performance may be adversely affected.

Our quarterly operating results are subject to significant fluctuation.

Our operating results have fluctuated from quarter to quarter in the past, and we expect that they will continue to do so in the future. Factors that could cause these quarterly fluctuations include: the mix of products sold; pricing actions of competitors; the level of advertising and promotional expenses; the outcome of legal proceedings; seasonality, primarily because the sales and profitability of our stores are typically slightly lower in the first half of the year than in the second half of the year, which includes the back-to-school and holiday seasons; severe weather; and the other risk factors described in this section. Most of our operating expenses, such as occupancy costs and associate salaries, do not vary directly with the amount of sales and are difficult to adjust in the short term. As a result, if sales in a particular quarter are below expectations for that quarter, we may not proportionately reduce operating expenses for that quarter, and therefore such a sales shortfall would have a disproportionate effect on our net income for the quarter.

Our expanding international operations expose us to the unique risks inherent in foreign operations.

We currently operate in 26 different countries outside the United States and may enter new international markets. Operating in multiple countries requires that we comply with multiple foreign laws and regulations that may differ substantially from country to country and may conflict with corresponding U.S. laws and regulations. Ensuring such compliance may require that we implement new operational systems and financial controls that may be expensive and divert management's time from implementing our growth strategies. In addition, cultural differences and differences in the business climate in our international markets may cause customers to be less receptive to our business model than we expect. Other factors that may also have an adverse impact on our international operations include increased local competition, foreign currency fluctuations, unfavorable foreign trade policies and unstable political and economic conditions.

Our business may be adversely affected by the actions of and risks associated with our third-party vendors.

The products we sell are sourced from a wide variety of third-party vendors. We derive benefits from vendor allowances and promotional incentives which may not be offered in the future. We also cannot control the supply, design, function or cost of many of the products that we offer for sale and are dependent on the availability and pricing of key products, including paper, ink, toner, technology and printing equipment. Some of the products we offer are supplied to us on an exclusive basis and may be difficult to replace in a timely manner. Disruptions in the availability of raw materials used in the production of these products may also adversely affect our sales and result in customer dissatisfaction.

Global sourcing of many of the products we sell is an important factor in our financial performance. Our ability to find qualified vendors and access products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced outside the United States. Political instability, the financial instability of suppliers, merchandise quality issues, trade restrictions, tariffs, foreign currency exchange rates, transport capacity and costs, inflation and other factors relating to foreign trade are beyond our control. These and other issues affecting our vendors could adversely affect our business and financial performance.

Our expanded offering of proprietary branded products may not improve our financial performance and may expose us to intellectual property and product liability claims.

Our product offering includes Staples, Quill and other proprietary branded products, which represented approximately 23% of our sales in fiscal 2008, excluding Corporate Express. Corporate Express also has an own brand program that we will be transitioning to the Staples brand over time. Our proprietary branded products compete with other manufacturers' branded items that we offer. An increase in our proprietary branded product offerings may increase the risk that third parties will assert infringement claims against us with respect to such products. In addition, if any of our customers are harmed by our proprietary branded products, they may bring product liability and other claims against us. Any of these circumstances could damage our reputation and have an adverse effect on our business and financial performance.

Our effective tax rate may fluctuate.

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

Our information security may be compromised.

Through our sales and marketing activities, we collect and store certain personal information that our customers provide to purchase products or services, enroll in promotional programs, register on our web site, or otherwise communicate and interact with us. We also gather and retain information about our associates in the normal course of business. We may share information about such persons with vendors that assist with certain aspects of our business. Despite instituted safeguards for the protection of such information, we cannot be certain that all of our systems are entirely free from vulnerability to attack. Computer hackers may attempt to penetrate our or our vendors' network security and, if successful, misappropriate confidential customer or business information. In addition, a Staples associate, contractor or other third party with whom we do business may attempt to circumvent our security measures in order to obtain such information or inadvertently cause a breach involving such information. Loss of customer or business information could disrupt our operations, damage our reputation, and expose us to claims from customers, financial institutions, payment card associations and other persons, any of which could have an adverse effect on our business, financial condition and results of operations. In addition, compliance with tougher privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes.

Various legal proceedings, investigations or audits may adversely affect our business and financial performance.

We are involved in various private legal proceedings, which include consumer, employment, intellectual property, tort and other litigation. As our workforce expands, we are subject to greater scrutiny by private litigants regarding compliance with local, state and national labor regulations, including overtime or "wage and hour" laws which have resulted in class action litigation. In addition, we may be subject to investigations or audits by governmental authorities and regulatory agencies, which can occur in the ordinary course of business or which can result from increased scrutiny from a particular agency towards an industry, country or practice. The resolution of these legal proceedings, investigations or audits could require us to pay substantial amounts of money or take actions that adversely affect our operations. In addition, defending against these claims may involve significant time and expense. Given the large size of our operations and workforce, the visibility of our brand and our position as an industry leader, we may regularly be involved in legal proceedings, investigations or audits that could adversely affect our business and financial performance.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As January 31, 2009, we operated a total of 2,218 superstores in 47 states and the District of Columbia in the United States, 10 provinces and 2 territories in Canada, and in Belgium, Denmark, Germany, Ireland, The Netherlands, Norway, Portugal, Sweden, the United Kingdom, China, Argentina and Australia. As of that same date, we also operated 135 distribution and fulfillment centers in 29 states in the United States, 8 provinces in Canada, and in Austria, Belgium, Denmark, France, Germany, Ireland, Italy, The Netherlands, Norway, Poland, Portugal, Spain, Sweden, the United Kingdom, China, Argentina, Brazil and Australia. The following table sets forth the locations of our facilities as of January 31, 2009.

RETAIL STORES

Country/State/Province/Region/Territory	Number of Stores
United States	
Alabama	12
Arizona	40
Arkansas	7
California	209
Colorado	21
Connecticut	39
Delaware	7
District of Columbia	3
Florida	91
Georgia	40
Idaho	9
Illinois	54
Indiana	32
Iowa	14
Kansas	4
Kentucky	17
Maine	13
Maryland	45
Massachusetts	78
Michigan	43
Minnesota	5
Mississippi	2
Missouri	11
Montana	8
Nebraska	4
Nevada	1
New Hampshire	23
New Jersey	88
New Mexico	10
New York	136
North Carolina	52
North Dakota	2
Ohio	60
Oklahoma	17
Oregon	20
Pennsylvania	93
Rhode Island	10
South Carolina	18
South Dakota	1
Tennessee	22
Texas	50
Utah	13
Vermont	7
Virginia	42
Washington	30
West Virginia	5
Wisconsin	11
Wyoming	4
Total United States	1,523
Canada	
Alberta	36
British Columbia	41
Manitoba	9
New Brunswick	9
Newfoundland	3
Nova Scotia	12
Northwest Territories	1

Ontario	119
Prince Edward Island	2
Quebec	70
Saskatchewan	9
Yukon	1
Total Canada	312
Belgium	5
Denmark	2
Germany	63
Ireland	1
The Netherlands	47
Norway	21
Portugal	31
Sweden	28
United Kingdom	137
China	26
Argentina	2
Australia	20

DISTRIBUTION AND FULFILLMENT CENTERS

Country/State/Province/Region/Territory	Number of Centers
United States	
Arizona	1
Arkansas	1
California	7
Colorado	2
Connecticut	2
Delaware	1
Florida	2
Georgia	3
Idaho	1
Illinois	4
Indiana	1
Iowa	1
Kansas	1
Maryland	2
Massachusetts	3
Michigan	1
Minnesota	2
Missouri	2
New Jersey	2
New York	2
North Carolina	2
Ohio	2
Oregon	3
Pennsylvania	2
South Carolina	1
Tennessee	1
Texas	6
Washington	1
Wisconsin	2
Total United States	61
Canada	
Alberta	3
British Columbia	2
Halifax	1
Manitoba	1
New Foundland	1
Nova Scotia	1
Ontario	2
Quebec	2
Total Canada	13
Austria	2
Belgium	1
Denmark	2
France	4
Germany	4
Ireland	2
Italy	2
The Netherlands	2
Norway	2
Poland	1
Portugal	1
Spain	2
Sweden	2
United Kingdom	4
China	5
Argentina	1
Brazil	3
Australia	21

Most of the existing facilities, including those acquired in connection with our acquisition of Corporate Express, are leased by us with initial lease terms expiring between 2009 and 2025. In most instances, we have renewal options at increased rents. Leases for 188 of the existing stores provide for contingent rent based upon sales.

We own our Framingham, Massachusetts corporate office, which consists of approximately 650,000 square feet.

Item 3. Legal Proceedings

From time to time, we may be subject to routine litigation incidental to our business.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of our security holders during the fourth quarter of fiscal 2008.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

NASDAQ

Our common stock is traded on the NASDAQ Global Select Market under the symbol "SPLS". The following table sets forth for the periods indicated the high and low sales prices per share of our common stock on the NASDAQ Global Select Market, as reported by NASDAQ.

	<u>High</u>	<u>Low</u>
<i>Fiscal Year Ended January 31, 2009</i>		
First Quarter	\$24.09	\$20.52
Second Quarter	25.85	20.10
Third Quarter	26.57	13.57
Fourth Quarter	20.00	14.09
<i>Fiscal Year Ended February 2, 2008</i>		
First Quarter	\$27.66	\$24.41
Second Quarter	26.00	22.81
Third Quarter	24.28	21.04
Fourth Quarter	24.85	19.69

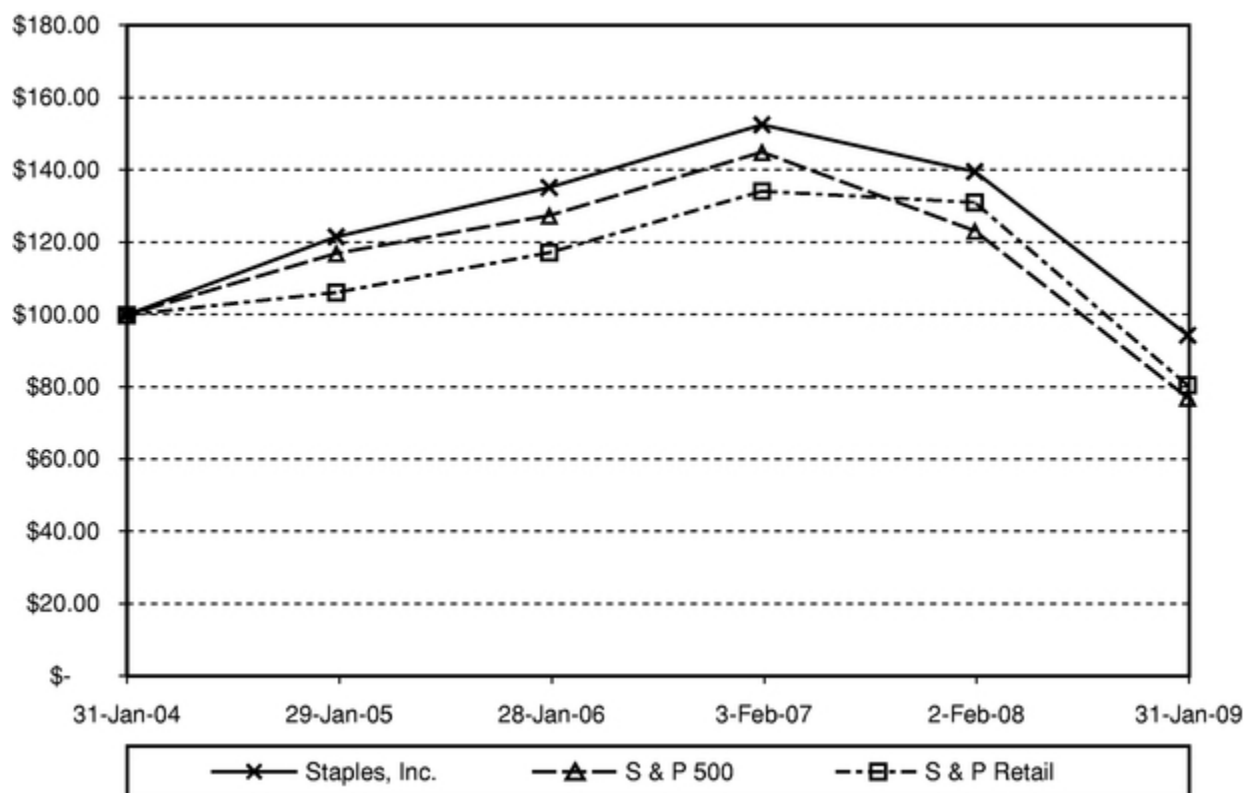
Cash Dividend

Since 2004, we have returned cash to our stockholders through a cash dividend. During our two most recent fiscal years, we paid an annual cash dividend of \$0.33 per share of our outstanding common stock on April 17, 2008 and an annual cash dividend of \$0.29 per share on April 19, 2007.

In 2009, we changed our dividend policy from an annual dividend to quarterly dividends. On March 11, 2009, we announced that we would pay a first quarter 2009 cash dividend of \$0.0825 per share on April 16, 2009 to stockholders of record on March 27, 2009. We expect the total value of quarterly dividend payments in fiscal year 2009 to be \$0.33 per share. Our payment of dividends is permitted under our public notes and existing financing agreements, although our bridge loan of April 2008 and our revolving credit agreement restrict the payment of dividends in the event we are in default under either agreement or such payout would cause a default under either agreement. While it is our current intention to continue to pay quarterly cash dividends for the remainder of 2009 and beyond, any decision to pay future cash dividends will be made by our Board of Directors and will depend upon our earnings, financial condition and other factors.

Stock Performance Graph

The following graph compares the cumulative total stockholder return on Staples' common stock, the Standard & Poor's 500 Index and the Standard & Poor's Retail Index during our 2004 through 2008 fiscal years, assuming the investment of \$100.00 on January 31, 2004 with dividends being reinvested.



TOTAL RETURN TO STOCKHOLDERS

	31-Jan-04	29-Jan-05	28-Jan-06	3-Feb-07	2-Feb-08	31-Jan-09
Staples, Inc.	\$100.00	\$121.66	\$135.31	\$152.69	\$139.70	\$94.39
S&P 500 Index	\$100.00	\$106.23	\$117.26	\$134.28	\$131.17	\$80.50
S&P Retail Index	\$100.00	\$117.06	\$127.54	\$145.12	\$123.30	\$77.06

Issuer Purchases of Equity Securities

During the first quarter of 2008, we suspended our share repurchase program as a result of our acquisition of Corporate Express. Therefore, there were no share repurchases during the fourth quarter of fiscal 2008. Although share repurchases are temporarily suspended, we have \$1.01 billion of authorization remaining under our current share repurchase program.

Other Information

For information regarding securities authorized for issuance under our equity compensation plans, please see Note I in the Notes to the Consolidated Financial Statements contained in this Annual Report on Form 10-K.

At March 9, 2009, we had 6,366 holders of record of our common stock.

Item 6. Selected Financial Data

The information required by this Item is attached as *Appendix A*.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by this Item is attached as part of *Appendix B*.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The information required by this Item is attached as part of *Appendix B under the caption "Quantitative and Qualitative Disclosures about Market Risks."*

Item 8. Financial Statements and Supplementary Data

The information required by this Item is attached as *Appendix C*.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

1. Disclosure Controls and Procedures

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, evaluated, as of January 31, 2009, the effectiveness of the Company's disclosure controls and procedures, which were designed to be effective at the reasonable assurance level. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the Company's disclosure controls and procedures as of January 31, 2009, management, the chief executive officer and the chief financial officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level at that date.

2. Internal Control over Financial Reporting

(a) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Staples' internal control system was designed to provide reasonable assurance to the Company's management and Board regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations which may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance

with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of Staples' internal controls over financial reporting as of January 31, 2009. In making this assessment, it used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, we believe that, as of January 31, 2009, the Company's internal control over financial reporting is effective based on those criteria.

We excluded the operations of Corporate Express from our assessment of internal control over financial reporting as of January 31, 2009 because Corporate Express was acquired by Staples during 2008 and we had not completed our integration of Corporate Express as of year end. Total assets and revenues of Corporate Express represented approximately \$2.67 billion (excluding approximately \$2.77 billion of goodwill and intangible assets relating to the acquisition) and \$4.24 billion, respectively, of the related consolidated financial statement amounts as of and for the year ended January 31, 2009.

Our independent auditors have issued an attestation report on the Company's internal control over financial reporting, which follows.

(b) Attestation Report of the Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Staples, Inc.

We have audited Staples, Inc.'s internal control over financial reporting as of January 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Staples, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Corporate Express, which is included in the 2008 consolidated financial statements of Staples, Inc. and constituted 21% and 39% of total and net assets, respectively, as of January 31, 2009 and 18% and 9% of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Staples, Inc. also did not include an evaluation of the internal control over financial reporting of Corporate Express.

In our opinion, Staples, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Staples, Inc. and subsidiaries as of January 31, 2009 and February 2, 2008, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2009 of Staples, Inc. and our report dated March 10, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Ernst & Young LLP

Boston, Massachusetts
March 10, 2009

(c) Changes in Internal Control Over Financial Reporting

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended January 31, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

In July 2008, the Company completed its acquisition of Corporate Express. Management is currently in the process of evaluating the internal controls and procedures of Corporate Express. Management plans to integrate Corporate Express' internal controls over financial reporting with the Company's internal controls over financial reporting. This integration may lead to changes in the internal controls over financial reporting for Staples or Corporate Express in future fiscal periods. Management expects the integration of internal controls over financial reporting to be completed during 2009.

Item 9B. Other Information

Board of Directors

Martin Trust will retire from our Board of Directors (the "Board") at the end of his current term, which expires when our directors are elected at our 2009 annual meeting of stockholders. On March 10, 2009, our Board voted to reduce its size from 13 members to 12 members, effective upon Mr. Trust's retirement.

On March 10, 2009, in light of the current economic and business environment, our Board decided to reevaluate the Board's fiscal 2009 compensation. Accordingly, the Board decided to defer the grant of its annual equity retainer until it determined an appropriate level of fiscal 2009 compensation, which will be no greater than what is specified in the Non-Management Director Compensation Summary (Exhibit 10.29 of this Form 10-K), and to issue the fiscal 2009 annual equity retainer two business days after the Board's next regularly scheduled meeting.

Amendments to By-laws

On March 10, 2009, our Board approved amendments to certain provisions of our by-laws to provide for (a) the ability of stockholders owning 25% or more of our outstanding shares of common stock to call a meeting of stockholders and (b) advance notice requirements for any director nomination or proposal a stockholder wishes to bring forward for action at an annual or special meeting of stockholders. Section 2.2 of the by-laws was amended to include the information and procedural requirements in order to call a special meeting of stockholders. Sections 7 and 8 of the by-laws were amended to include additional disclosure requirements from proposing shareholders, including but not limited to, disclosure regarding the identity of the stockholder or beneficial owner, their holdings of Staples securities, any agreements or compensation relating to such nomination or matter, and any derivatives or other arrangements to mitigate risk or change voting power. Additionally, certain other sections of the by-laws were amended to delete historical references and update provisions of the by-laws to conform with current Delaware corporate law. The amended and restated by-laws are attached hereto as Exhibit 3.2 and are incorporated herein by reference.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K and incorporated herein by reference to the definitive proxy statement with respect to our 2009 Annual Meeting of Stockholders (the "Proxy Statement"), which we will file with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Report.

Item 10. Directors, Executive Officers and Corporate Governance

Certain information required by this Item is contained under the heading "Executive Officers of the Registrant" in Part I of this Annual Report on Form 10-K. Other information required by this Item will appear under the headings "Proposal 1—Election of Directors", "Shareholder Proposals" and "Corporate Governance" in our Proxy Statement, which sections are incorporated herein by reference.

The information required by this Item pursuant to Item 405 of Regulation S-K will appear under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement, which section is incorporated herein by reference.

We have adopted a written code of ethics that applies to our principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions. Our code of ethics, which also

applies to our directors and all of our officers and associates, can be found on our web site, which is located at www.staples.com, and is also an exhibit to this report. We intend to make all required disclosures concerning any amendments to, or waivers from, our code of ethics by filing a Form 8-K disclosing such waiver, or to the extent permitted by applicable NASDAQ regulations, by posting such information in the Investor Information section of our web site.

Item 11. Executive Compensation

The information required by this Item will appear under the headings "Director Compensation" and "Executive Compensation" including "Compensation Discussion and Analysis", "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" in our Proxy Statement, which sections are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will appear under the headings "Beneficial Ownership of Common Stock" and "Securities Authorized for Issuance under Equity Compensation Plans" in our Proxy Statement, which sections are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will appear under the headings "Certain Relationships and Related Transactions" and "Director Independence" in our Proxy Statement, which sections are incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item will appear under the heading "Independent Registered Public Accounting Firm's Fees" in our Proxy Statement, which section is incorporated herein by reference.

Item 15. Exhibits and Financial Statement Schedules

- (a) Index to Consolidated Financial Statements.

1. *Financial Statements.* The following financial statements and schedules of Staples, Inc. are included as *Appendix C* of this Report:

- Consolidated Balance Sheets—January 31, 2009 and February 2, 2008.
- Consolidated Statements of Income—Fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007.
- Consolidated Statements of Stockholders' Equity—Fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007.
- Consolidated Statements of Cash Flows—Fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007.
- Notes to Consolidated Financial Statements.

2. *Financial Statement Schedules.*

- Schedule II—Valuation and Qualifying Accounts.

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission other than the one listed above are not required under the related instructions or are not applicable, and, therefore, have been omitted.

3. *Exhibits.* The exhibits which are filed or furnished with this report or which are incorporated herein by reference are set forth in the Exhibit Index on page D-1, which is incorporated herein by reference.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ ROBERT E. SULENTIC</u> Robert E. Sulentic	Director	March 10, 2009
<u>/s/ MARTIN TRUST</u> Martin Trust	Director	March 10, 2009
<u>/s/ VIJAY VISHWANATH</u> Vijay Vishwanath	Director	March 10, 2009
<u>/s/ PAUL F. WALSH</u> Paul F. Walsh	Director	March 10, 2009
<u>/s/ JOHN J. MAHONEY</u> John J. Mahoney	Vice Chairman and Chief Financial Officer (Principal Financial Officer)	March 10, 2009
<u>/s/ CHRISTINE T. KOMOLA</u> Christine T. Komola	Senior Vice President and Corporate Controller (Principal Accounting Officer)	March 10, 2009

STAPLES, INC. AND SUBSIDIARIES
SELECTED FINANCIAL DATA
(Dollar Amounts in Thousands, Except Per Share Data)

	Fiscal Year Ended				
	January 31, 2009 (2) (52 weeks)	February 2, 2008 (3) (52 weeks)	February 3, 2007 (4) (53 weeks)	January 28, 2006 (52 weeks)	January 29, 2005 (52 weeks)
Statement of Income Data:					
Sales	\$ 23,083,775	\$ 19,372,682	\$ 18,160,789	\$ 16,078,852	\$ 14,448,378
Gross profit	6,246,936	5,550,671	5,194,001	4,582,618	4,102,322
Net income	805,264	995,670	973,677	784,117	664,575
Basic earnings per common share(1):	1.15	1.41	1.35	1.07	0.90
Diluted earnings per common share(1):	1.13	1.38	1.32	1.04	0.87
Dividends (1)	\$ 0.33	\$ 0.29	\$ 0.22	\$ 0.17	\$ 0.13
Statistical Data:					
Stores open at end of period	2,218	2,038	1,884	1,780	1,680
Balance Sheet Data:					
Working capital	\$ 951,704	\$ 1,945,484	\$ 1,642,980	\$ 1,664,637	\$ 1,584,751
Total assets	13,005,978	9,036,344	8,397,265	7,732,720	7,127,150
Total long-term debt, less current portion	1,968,928	342,169	316,465	527,606	557,927
Stockholders' equity	\$ 5,564,207	\$ 5,718,007	\$ 5,021,665	\$ 4,481,601	\$ 4,174,424

The Company's fiscal year is the 52 or 53 weeks ending the Saturday closest to January 31. Results of operations include the results of acquired businesses since the relevant acquisition date.

- (1) All share and per share amounts reflect, or have been restated to reflect, the three-for-two common stock split that was effected in the form of a common stock dividend distributed on April 15, 2005.
- (2) Results of operations for this period reflect \$173.5 million (\$113.7 million, net of taxes) of integration and restructuring costs associated with the acquisition of Corporate Express. The results of Corporate Express have been included since its acquisition in July 2008.
- (3) Results of operations for this period reflect a \$38.0 million (\$24.3 million, net of taxes) charge related to the settlement of California wage and hour class action litigation.
- (4) Results of operations for this period reflect a \$33.3 million reduction in income taxes related to the favorable resolution of certain foreign and domestic tax matters and a \$10.8 million (\$8.6 million, net of taxes) charge to correct the measurement dates used to calculate prior years' stock-based compensation.

STAPLES, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and
Results of Operations

General

Our fiscal year is the 52 or 53 weeks ending on the Saturday closest to January 31. Fiscal year 2008 ("2008") consisted of the 52 weeks ended January 31, 2009, fiscal year 2007 ("2007") consisted of the 52 weeks ended February 2, 2008 and fiscal year 2006 ("2006") consisted of the 53 weeks ended February 3, 2007.

Acquisition of Corporate Express

In July 2008, we acquired Corporate Express N.V. ("Corporate Express"), a Dutch office products distributor with operations in North America, Europe and Australia, through a tender offer for all of its outstanding capital stock. The acquisition of Corporate Express establishes a contract business in Europe and Canada and increases our contract business in the United States. The acquisition also extends our geographic reach to Australia and New Zealand, through a 59% ownership interest in Corporate Express Australia Limited, a public company traded on the Australian Stock Exchange. As a result of the acquisition, we added operations in five countries. We now have operations in 27 countries.

The aggregate cash purchase price of 2.8 billion Euros (approximately \$4.4 billion, net of cash acquired) for the capital stock of Corporate Express and for our repayment of most of Corporate Express' debt was funded primarily with the sale of notes under our Commercial Paper Program, which was backstopped by our 2008 Agreement, and additional funds from our 2008 Term Credit Facility, our existing Revolving Credit Facility (each as defined below), and our available cash and short-term investments.

At the time the tender offer was fully settled on July 23, 2008, we had acquired more than 99% of the outstanding capital stock of Corporate Express. We intend by the end of fiscal year 2009 to acquire the remaining capital of Corporate Express by means of a compulsory acquisition procedure in accordance with the Dutch Civil Code. In July 2008, we also acquired, and subsequently paid off, all of the outstanding 8.25% Senior Subordinated Notes due July 1, 2014 and all of the outstanding 7.875% Senior Subordinated Notes due March 1, 2015 of Corporate Express U.S. Finance Inc., a wholly owned subsidiary of Corporate Express.

The operating results of Corporate Express have been included in the consolidated financial statements since July 2, 2008, the date we declared the terms of the tender offer unconditional. The Corporate Express results are reported in Staples' North American Delivery and International Operations for segment reporting.

Results of Operations

We have provided below an overview of our operating results as well as a summary of our consolidated performance and details of our segment performance. In order to enhance comparability between our 2008 and 2007 results, certain operational measures for 2008 are accompanied by a presentation of such measure after removing the impact of the Corporate Express acquisition. Management is using such adjusted operational measures in the initial post acquisition period to evaluate our pre-acquisition operating results against prior year results and our operating plan. This adjusted information supplements, and is not intended to represent, measures that are calculated or presented in accordance with disclosures required by accounting principles generally accepted in the United States.

As we have begun the integration of Corporate Express, it has become difficult to isolate accurately the impact of the Corporate Express operations from our overall business. Accordingly, the following information discussing our results after removing the impact of the Corporate Express acquisition is not exact and represents our best estimate. In the coming quarters, as the integration of Corporate Express proceeds, it will become increasingly difficult to quantify accurately the impact of the Corporate Express operations on our overall results, and we will soon no longer be able, or consider it meaningful, to provide financial information or any related discussion of our business after removing the impact of Corporate Express.

Furthermore, in order to enhance comparability between 2007 and 2006, certain operational measures for 2006 are accompanied by a presentation of such measure excluding the estimated effect of the 53rd week in 2006. Our comparable store sales include stores open for more than one year and exclude sales related to the 53rd week in 2006.

STAPLES, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and
Results of Operations (Continued)

Overview

We produced fairly stable results for 2008 despite the challenging economic environment. Excluding sales of \$4.2 billion related to Corporate Express, our consolidated sales declined 2.7% in 2008. Major contributors to our 2008 results (as compared to the results for 2007) are reviewed in detail in the Consolidated Performance and Segment Performance discussions and are summarized below:

- On a consolidated basis including Corporate Express, we reached \$23.1 billion in sales, with sales growth of 19.2%.
- North American Delivery sales grew 35.0% as a result of our acquisition of Corporate Express. Excluding sales of \$2.3 billion related to Corporate Express, sales declined 0.3% on lower sales to existing customers, partially offset by successful customer acquisition and retention efforts and excellent customer service. Business unit income rate declined to 9.0% from 10.8%, but increased to 11.1% excluding the results of Corporate Express.
- North American Retail's comparable store sales declined 9%, and business unit income rate fell to 8.1% from 9.5%, as negative comparable store sales drove deleverage in fixed occupancy costs and labor. Despite these challenges, we achieved excellent customer service and continued to invest in our "EasyWay" service model.
- International Operations sales grew 70.4% as a result of our acquisition of Corporate Express. Excluding sales of \$1.9 billion related to Corporate Express, sales increased 0.8% in U.S. dollars and declined 0.1% in local currency. Business unit income rate decreased to 3.3% from 3.6% and decreased to 3.2% excluding the results of Corporate Express.
- We now operate 2,218 stores worldwide, with a net addition of 180 stores in 2008. This includes a net addition of 77 stores associated with the Corporate Express acquisition.
- Operating cash flow increased to \$1.7 billion from \$1.4 billion in 2007.

While maintaining our focus on expense control, we are also continuing to invest in new strategic initiatives and customer service programs to drive our long term success, despite the current weak economic climate. These strategic initiatives include:

- Implementing a series of retail store initiatives to drive productivity; including improving the profitability of technology sales, boosting sales of high margin copy and EasyTech services, and effectively utilizing our portfolio of store formats which range from 4,000 to 18,000 square feet;
- Continued differentiation through our own brand products; and
- Cross-channel initiatives to encourage customers to spend more by shopping both Staples' retail and delivery channels.

For our customer service programs, our North American and European delivery businesses have focused on the "Perfect Order" program to improve product availability, increase accuracy of orders, improve warehouse performance and productivity of our delivery trucks, and reduce product returns, resulting in fewer trips per order and higher customer satisfaction and retention. In our North American Retail business, our selling models are designed to train store associates to provide solutions for small business customers and drive attachment selling, while also providing incentives for store associates to provide great customer service.

Outlook

The economic environment remains challenging, and we expect it to remain so for the foreseeable future. We expect to achieve stable performance through customer service, customer retention and acquisition efforts, expense management and focused integration of Corporate Express. We will endeavor to provide as much transparency as possible; however, as a result of the difficulty in forecasting sales in the current environment, we will not provide specific sales and earnings guidance for fiscal year 2009. To the extent we have clear visibility, we will provide guidance on factors that will influence profitability, such as anticipated synergies from the Corporate Express integration, integration and restructuring expense, depreciation expense, amortization of intangibles and net interest expense. We expect the following:

- Corporate Express integration synergies building to \$300 million annually over a three year integration period;

STAPLES, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and
Results of Operations (Continued)

- Integration and restructuring expense of \$90 million to \$110 million for 2009;
- Depreciation expense of \$430 million to \$440 million for 2009;
- Amortization of intangibles of \$105 million to \$115 million for 2009; and
- Net interest expense of \$260 million to \$280 million for 2009.

As with all forward looking statements made in this Annual Report on Form 10-K, we do not intend to publicly update any of the forward looking statements in this paragraph.

Consolidated Performance:

Net income for 2008 was \$805.3 million or \$1.13 per diluted share compared to \$995.7 million or \$1.38 per diluted share for 2007 and \$973.7 million or \$1.32 per diluted share for 2006. Our results for 2008 include the results of the newly acquired Corporate Express business since the acquisition on July 2, 2008. Our results for 2008 also include integration and restructuring costs of \$113.7 million, net of taxes (\$0.16 per diluted share) and total interest expense of \$98.1 million, net of taxes (\$0.14 per diluted share), which substantially relates to our acquisition financing. Our results for 2007 include a \$24.3 million charge, net of taxes (\$0.04 per diluted share) related to the settlement of California wage and hour class action litigation. Our results for 2006 include a \$33.3 million (\$0.05 per diluted share) reduction in income taxes related to the favorable resolution of certain foreign and domestic tax matters, and an \$8.6 million charge, net of taxes (\$0.01 per diluted share) to correct the measurement dates used to calculate prior years' stock-based compensation. In addition, our results for 2006 include the impact of the 53rd week on net earnings of approximately \$0.04 per diluted share.

Our 2008 results reflect our continued focus on our strategy of driving profitable sales growth, improving profit margins and increasing asset productivity, while operating in a difficult economic environment. We continue to work to deliver on our "Easy" brand promise to make buying office products easy for our customers in order to differentiate us from our competitors. Our commitment to customer service, customer acquisition and retention efforts, tightening of expenses, working capital and capital spending were key contributors to sustaining our performance in 2008, despite the negative impact of a weakened economy on our customers and our organic sales growth.

Sales: Sales for 2008 were \$23.1 billion, an increase of 19.2% from 2007 sales. Our sales growth for 2008 reflects sales of \$4.2 billion from the Corporate Express business. Excluding the sales from Corporate Express, sales decreased 2.7% for 2008. Sales increased 6.7% in 2007. Sales for 2006 include \$369.8 million related to the additional week in 2006. Excluding the additional week in 2006, sales increased 8.9% in 2007. The 2.7% decline in sales in 2008, which excludes results of Corporate Express, was substantially driven by a 9% decrease in comparable store sales in our North American Retail business, partially offset by sales from new stores opened in our North American Retail business. In 2008, foreign exchange rates did not have a material impact on sales. The 8.9% increase in sales in 2007 primarily reflects organic sales growth in our North American Delivery business and to a lesser extent, sales from new stores opened in our North American Retail business and the positive impact of foreign currency exchange rates of \$404 million. The increase in sales in 2007 was slightly offset by a 3% decrease in comparable store sales in our North American Retail business.

Gross Profit: Gross profit as a percentage of sales was 27.1% for 2008, 28.7% for 2007 and 28.6% for 2006. The gross profit rate for 2008 was negatively impacted by 1.5% due to the inclusion of the results of Corporate Express, whose gross profit rate is lower than our pre-existing businesses. The remaining slight decrease in gross profit rate for 2008 is the result of deleverage in fixed occupancy costs on a decrease in comparable store sales in North American Retail, substantially offset by improved product margins in our North American businesses and, to a lesser extent, supply chain improvements in all of our segments. The slight increase in the gross profit rate for 2007 is primarily due to an improvement in product margin rate in our North American Retail and International Operations segments and, to a lesser extent, improvements in North American Delivery supply chain, partially offset by deleverage in fixed occupancy costs on a decrease in comparable store sales in North American Retail.

Selling, General and Administrative Expenses: Selling, general and administrative expenses were 20.1% of sales for 2008, 20.6% for 2007 and 20.5% for 2006. Selling, general and administrative expenses as a percentage of sales for 2008 includes a 0.9% improvement related to the inclusion of the results of Corporate Express, whose selling, general and administrative expense rate was lower than our pre-existing businesses. The net increase in selling, general and

STAPLES, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and
Results of Operations (Continued)

administrative expenses for 2008 from 2007, excluding the improvement from Corporate Express, primarily reflects deleverage in labor, partially offset by reduced marketing expenses in all of our businesses and, to a lesser extent, the \$38.0 million charge related to the California wage and hour class action lawsuits included in 2007. The increase in selling, general and administrative expenses for 2007 from 2006 primarily reflects deleverage in fixed expenses on decreasing comparable store sales in North American Retail, the added leverage of the 53rd week in 2006, and the \$38.0 million charge related to the California wage and hour class action lawsuits. Our results continue to reflect our ongoing focus on expense control in a challenging economic environment.

Integration and Restructuring Costs: Integration and restructuring costs were \$173.5 million for 2008. These expenses are associated with the integration of Corporate Express with our pre-existing business and the consolidation of certain of our operations. Included in integration and restructuring costs is a \$123.8 million charge related to the write-down of indefinite lived intangible tradenames associated with our European catalog business. The tradename write-down was the result of our decision to move toward one global brand with the acquisition of Corporate Express, eliminating, over time, the legacy brands used in our European catalog business. Integration and restructuring costs also include a \$26.3 million charge related to the write-down of software and facilities whose use was expected to be limited as a result of the acquisition, \$21.7 million of consulting and travel fees, and a \$1.7 million charge for employee retention costs.

Amortization of Intangibles: Amortization of intangibles was \$70.3 million in 2008, \$15.7 million in 2007 and \$14.4 million in 2006 reflecting the amortization of certain tradenames, customer relationships and noncompetition agreements. Amortization expense relating to the intangibles resulting from our acquisition of Corporate Express for 2008 was \$50.8 million.

Interest Income: Interest income decreased to \$28.5 million in 2008 from \$46.7 million in 2007 and \$58.8 million in 2006. The decrease in interest income for 2008 is primarily due to a decrease in our average cash and short-term investment portfolio resulting from our acquisition of Corporate Express, combined with a decrease in interest rates. The decrease in interest income for 2007 is due to the reduction in our average cash and short-term investment portfolio balance, partially offset by an increase in interest rates.

Interest Expense: Interest expense was \$149.8 million in 2008, \$38.3 million in 2007 and \$47.8 million in 2006. The increase in interest expense for 2008 is primarily due to borrowings under our Commercial Paper Program, our 2008 Agreement, our Revolving Credit Facility and the 2008 Term Credit Facility (each as defined in "Sources of Liquidity") relating to our acquisition of Corporate Express, slightly offset by the impact of the repayment of our \$200.0 million 7.125% notes in August 2007. The decrease in interest expense for 2007 is primarily due to the repayment of our \$200.0 million 7.125% notes in August 2007, partially offset by higher interest rates. We use interest rate swap agreements to convert a portion of our fixed rate debt obligations into variable rate obligations. Excluding the impact of our interest rate swap agreements, interest expense would have been \$152.1 million for 2008, \$36.0 million for 2007 and \$47.2 million for 2006.

Miscellaneous Expense: Miscellaneous expense was \$7.6 million for 2008, \$2.2 million for 2007 and \$2.8 million for 2006. These amounts primarily reflect foreign exchange gains and losses recorded in the respective periods.

Income Taxes: Our effective tax rate was 34.5% for 2008, 36.0% for 2007 and 33.8% for 2006. The decrease in the effective tax rate from 2007 to 2008 was due to geographical changes in the mix of earnings. The increase in the effective tax rate from 2006 to 2007 was the result of an adjustment recorded in 2006 for a change in estimate regarding certain tax uncertainties as well as the favorable resolution of certain foreign and domestic tax matters recorded that year. Our effective tax rate for 2006 applicable to results from continuing operations, excluding the impact of these discrete items, was 36.0%.

Segment Performance:

Our business is comprised of three segments: North American Delivery, North American Retail and International Operations. Our North American Delivery segment consists of the U.S. and Canadian business units that sell and deliver office products and services directly to customers, and includes Contract (including Corporate Express), Staples Business Delivery and Quill. The North American Retail segment consists of the U.S. and Canadian business units that operate

STAPLES, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and
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office products stores. The International Operations segment consists of business units that operate office products stores and that sell and deliver office products and services directly to customers in 25 countries in Europe, Asia, Australia and South America. Additional geographic information about our sales is provided in Note M in the Notes to the Consolidated Financial Statements.

In connection with our acquisition of Corporate Express, we allocated assets of \$3.33 billion, \$3.37 billion and \$283.8 million to the North American Delivery, International Operations and North American Retail segments, respectively. The Corporate Express assets include goodwill and intangible assets of \$3.38 billion, of which \$1.63 billion, \$1.47 billion and \$283.8 million were allocated to the North American Delivery, International Operations and North American Retail segments, respectively.

The following tables provide a summary of our sales and business unit income by reportable segment and store activity for the last three fiscal years. Business unit income excludes integration and restructuring costs, stock-based compensation, interest and other expense, non-recurring items and the impact of changes in accounting principles (see reconciliation of total segment income to consolidated income before income taxes and minority interest in Note M in the Notes to the Consolidated Financial Statements):

Sales	(Amounts in thousands)			2008	2007
	2008	2007	2006	Increase From Prior Year	Increase From Prior Year
North American Delivery	\$ 8,929,924	\$ 6,614,202	\$ 5,908,872	35.0%	11.9%
North American Retail	9,489,510	10,020,941	9,893,107	(5.3)%	1.3%
International Operations	4,664,341	2,737,539	2,358,810	70.4%	16.1%
Total Segment Sales	\$23,083,775	\$19,372,682	\$18,160,789	19.2%	6.7%

Business Unit Income	(Amounts in thousands)			2008	2007	2006
	2008	2007	2006	% of Sales	% of Sales	% of Sales
North American Delivery	\$ 802,523	\$ 712,558	\$ 623,908	9.0%	10.8%	10.6%
North American Retail	769,695	949,038	957,386	8.1%	9.5%	9.7%
International Operations	153,886	97,996	50,511	3.3%	3.6%	2.1%
Business Unit Income	\$1,726,104	\$1,759,592	\$1,631,805	7.5%	9.1%	9.0%
Stock-based compensation	(180,652)	(173,343)	(157,907)	(0.8)%	(0.9)%	(0.9)%
Total Segment Income	\$1,545,452	\$1,586,249	\$1,473,898	6.7%	8.2%	8.1%

Store Activity		Stores Open at Beginning of Period	Stores Opened	Net Stores Acquired	Stores Closed	Stores Open at End of Period
2006	North American Retail	1,522	99	—	1	1,620
2006	International Operations	258	6	—	—	264
2006	Total	1,780	105	—	1	1,884
2007	North American Retail	1,620	120	—	2	1,738
2007	International Operations	264	27	12	3	300
2007	Total	1,884	147	12	5	2,038
2008	North American Retail	1,738	106	—	9	1,835
2008	International Operations	300	15	77	9	383
2008	Total	2,038	121	77	18	2,218

North American Delivery: Sales increased 35.0% in 2008 and 11.9% in 2007. Excluding non-comparable sales from Corporate Express of \$2.3 billion, sales would have decreased 0.3% for 2008. Sales for 2006 include \$129.6 million related to the additional week in 2006. Excluding the additional week in 2006, sales increased 14.4% in 2007. The slight

STAPLES, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and
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decline in sales in 2008 reflects lower sales to existing customers substantially offset by the impact of our customer acquisition and retention efforts. The sales growth in 2007 primarily reflects the impact of our customer acquisition and retention efforts, as well as increased penetration of existing customers, and to a much lesser extent, non-comparable sales from acquisitions and more effective marketing spend.

Business unit income as a percentage of sales was 9.0% in 2008, 10.8% in 2007 and 10.6% in 2006. Business unit income as a percentage of sales for 2008 was reduced by 2.1% due to the inclusion of results of Corporate Express, whose business unit income rate is lower than our pre-existing business. Excluding the impact of Corporate Express for 2008, the increase in business unit income primarily reflects reduced marketing expense and, to a lesser extent, gross profit improvements driven equally by supply chain and product margin improvements. The increase in 2007 primarily reflects improvement in our supply chain and more efficient and effective marketing spend to acquire and retain customers, partially offset by our investments in growth initiatives.

North American Retail: Sales decreased 5.3% in 2008 and increased 1.3% in 2007. Sales for 2006 include \$209.1 million related to the additional week in 2006. Excluding the additional week in 2006, sales increased 3.5% in 2007. The decrease in sales for 2008 primarily reflects a 9% decrease in comparable stores sales and the negative impact of foreign exchange rates of \$55.5 million, partially offset by non-comparable sales for new stores opened in the past twelve months. Our comparable store sales decrease in 2008 reflects a significant decline in the performance of non-consumable products, including business machines, furniture and computer peripherals, followed by a modest decline in consumables, which was driven by core office supplies. Our decrease in consumable sales in 2008 was slightly offset by positive performance in ink and toner. The increase in sales for 2007 primarily reflects non-comparable store sales, and to a lesser extent, the positive impact of foreign exchange rates of \$161 million, partially offset by a 3% decrease in comparable store sales. Our comparable sales decrease in 2007 reflects negative performance in business machines, furniture and core office supplies, partially offset by positive performance in computers and our copy and print center business.

Business unit income as a percentage of sales was 8.1% in 2008, 9.5% in 2007 and 9.7% in 2006. The decrease in business unit income as a percentage of sales for 2008 primarily reflects deleverage in fixed occupancy costs resulting from a decrease in comparable store sales and, to a lesser extent, deleverage in labor as we focused on maintaining our customer service standards. These negative factors were partially offset by increased product margin rates and to a lesser extent, in order of magnitude, reduced marketing spend, supply chain improvements and our focus on expense control. The decrease in business unit income for 2007 primarily reflects deleverage in fixed costs resulting from a decrease in comparable store sales as well as the additional leverage of the 53rd week in 2006, partially offset by decreased variable compensation, an increase in product margin rate, including increased sales in higher margin categories such as Staples brand products and copy and print services, as well as our focus on expense control.

International Operations: Sales increased 70.4% in 2008 and 16.1% in 2007. Excluding non-comparable sales from Corporate Express of \$1.9 billion for 2008, sales would have increased 0.8% in 2008. Sales for 2006 include \$31.1 million related to the additional week in 2006. Excluding the additional week in 2006, sales increased 17.6% in 2007. The increase for 2008 was the result of, in order of magnitude, non-comparable sales for new stores opened in the past twelve months, organic growth from our delivery businesses, and the positive impact of foreign exchange rates of \$26.6 million. These three factors were substantially offset by a 5% decrease in comparable store sales in Europe. The increase for 2007 was the result of the positive impact of foreign exchange rates of \$222 million and, to a lesser extent, growth in local currency in our International delivery businesses, as well as an increase in comparable store sales of 2% in Europe.

Business unit income as a percentage of sales was 3.3% in 2008, 3.6% in 2007 and 2.1% in 2006. The decrease in business unit income as a percentage of sales benefited by 0.1% due to the inclusion of the results of Corporate Express, whose business unit income is higher than our pre-existing business. The decrease in business unit income as a percentage of sales, excluding the impact of Corporate Express, primarily reflects increased losses in our Asian businesses substantially offset by improvement in product margin rates due to product mix, better buying and selling a broader assortment of our own brand products in our European businesses and, to a lesser extent, supply chain improvements and our focus on expense control. The increase in 2007 primarily reflects sales growth and improvement in product margin rates in our European retail business, along with our continued focus on expense control.

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Stock-Based Compensation: Stock-based compensation, excluding the charge recorded in 2006 for the correction of measurement dates used to calculate prior years' stock-based compensation (see Note I in the Notes to the Consolidated Financial Statements), increased to \$180.7 million in 2008 from \$173.3 million in 2007 and from \$157.9 million in 2006. Stock-based compensation includes expenses associated with our employee stock purchase plans; the issuance of stock options, restricted shares, and performance share awards; and the company match in the employee 401(k) savings plan. The increase in this expense for 2008 and 2007 is primarily related to changes in the mix of equity awards granted.

Critical Accounting Policies and Significant Estimates

Our financial statements are based on the application of significant accounting policies, many of which require management to make significant estimates and assumptions (see Note A in the Notes to the Consolidated Financial Statements). We believe that the following are some of the more critical judgment areas in the application of our accounting policies that currently affect our financial condition and results of operations.

Inventory: We record inventory at the lower of weighted-average cost or market value. We reserve for obsolete, overstocked and inactive inventory based on the difference between the weighted-average cost of the inventory and the estimated market value using assumptions of future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional reserves may be required.

Purchase and Advertising Rebates: We earn rebates from our vendors, which are based on various quantitative contract terms that can be complex and subject to interpretation. Amounts expected to be received from vendors relating to the purchase of merchandise inventories and reimbursement of incremental costs, such as advertising, are recognized as a reduction of inventory cost and realized as part of cost of goods sold as the merchandise is sold. Several controls are in place, including direct confirmation with vendors, which we believe allows us to ensure that these amounts are recorded in accordance with the terms of the contracts.

Impairment of Long-Lived Assets: We review our long-lived assets for impairment when indicators of impairment are present and the undiscounted cash flow estimated to be generated by those assets is less than the assets' carrying amount. Our policy is to evaluate long-lived assets for impairment at a store level for retail operations and an operating unit level for our other operations. If actual market conditions are less favorable than management's projections, future write-offs may be necessary.

Impairment of Goodwill and Indefinite Lived Intangible Assets: Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS No. 142") requires that we annually review goodwill and other intangible assets that have indefinite lives for impairment and when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. We determine fair value using discounted cash flow analysis, which requires us to make certain assumptions and estimates regarding industry economic factors and future profitability of acquired businesses. It is our policy to allocate goodwill and conduct impairment testing at the individual business unit level based on our most current business plans, which reflect changes we anticipate in the economy and the industry. If actual results are not consistent with our assumptions and judgments, we could be exposed to a material impairment charge.

Deferred Taxes: We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We have considered estimated future taxable income and ongoing tax planning strategies in assessing the amount needed for the valuation allowance. If actual results differ unfavorably from those estimates used, we may not be able to realize all or part of our net deferred tax assets and additional valuation allowances may be required.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurement), then priority to quoted prices for similar

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instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market (Level 2 measurement), then the lowest priority to unobservable inputs (Level 3 measurement). In February 2008, the FASB issued FASB Staff Position ("FSP") No. 157-2, "Effective date of FASB Statement No. 157", which delayed for one year the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Effective February 3, 2008, we adopted SFAS No. 157 for our financial assets. The adoption had no impact on our financial condition, results of operations or cash flows. We do not anticipate that the adoption of SFAS No. 157 for non-financial assets and liabilities will have a material impact on our financial condition, results of operations or cash flows.

The following table shows assets and liabilities as of January 31, 2009, that are measured at fair value on a recurring basis (in thousands):

	Quoted Prices in Active Markets for Identical Assets or Liabilities Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3
Derivative assets	—	\$ 67,425	—
Derivative liabilities	—	(3,550)	—

In September 2006, the FASB issued SFAS No. 158, "Employers: Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statement Nos. 87, 88, 106 and 132(R)" ("SFAS No. 158"). SFAS No. 158 requires deferred pension gains and losses to be reflected in accumulated other comprehensive income and requires that the valuation date of plan accounts be changed to the end of the company's fiscal year, with that change required to be implemented for fiscal years ending after December 15, 2008. We adopted the provisions of SFAS No. 158 in 2008 as a result of the assumption of pension plans in connection with our acquisition of Corporate Express. This adoption had no impact on our financial condition, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 permits entities to elect to measure many financial instruments and certain other items at fair value at specific election dates. We did not elect to adopt the fair value option provided under SFAS No. 159.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations" ("SFAS No. 141(R)"). SFAS No. 141(R) replaces SFAS No. 141, "Business Combinations", but retains the requirement that the purchase method of accounting for acquisitions be used for all business combinations. SFAS No. 141(R) expands on the disclosures previously required by SFAS No. 141, better defines the acquirer and the acquisition date in a business combination, and establishes principles for recognizing and measuring the assets acquired (including goodwill), the liabilities assumed and any noncontrolling interests in the acquired business. SFAS No. 141(R) also requires an acquirer to record an adjustment to income tax expense for changes in valuation allowances or uncertain tax positions related to acquired businesses. SFAS No. 141(R) is effective for all business combinations with an acquisition date in the first annual period following December 15, 2008; early adoption is not permitted. We adopted this statement as of February 1, 2009. We do not expect SFAS No. 141(R) to have a material impact on our income tax expense related to adjustments for changes in valuation allowances and tax reserves for prior business combinations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 requires that noncontrolling (or minority) interests in subsidiaries be reported in the equity section of the company's balance sheet, rather than in a mezzanine section of the balance sheet between liabilities and equity. SFAS No. 160 also changes the manner in which the net income of the subsidiary is reported and disclosed in the controlling company's income statement. SFAS No. 160 also establishes guidelines for accounting for changes in ownership percentages and for deconsolidation. SFAS No. 160 is effective for financial statements for fiscal years beginning on or after December 1, 2008 and interim periods within those years. As SFAS No. 160 will only impact our presentation of minority interests on the balance sheet, the adoption of SFAS No. 160 will have no material impact on our financial condition, results of operations or cash flows.

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In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"). SFAS No. 161 enhances disclosures for derivative instruments and hedging activities, including: (i) the manner in which a company uses derivative instruments; (ii) the manner in which derivative instruments and related hedged items are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and (iii) the effect of derivative instruments and related hedged items on a company's financial position. SFAS No. 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. We adopted this statement as of February 1, 2009. As SFAS No. 161 relates specifically to disclosures, this standard will have no impact on our financial condition, results of operations or cash flows.

In April 2008, the FASB issued FASB Staff Position ("FSP") No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP No. 142-3"). FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets". FSP No. 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008. We adopted this statement as of February 1, 2009. The adoption of FSP No. 142-3 is not expected to have a material impact on our financial condition, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with generally accepted accounting principles in the United States for non-governmental entities. SFAS No. 162 is effective 60 days following approval by the U.S. Securities and Exchange Commission ("SEC") of the Public Company Accounting Oversight Board's amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles." We do not expect SFAS No. 162 to have a material impact on our financial condition, results of operations or cash flows.

In December 2008, the FASB issued FSP 132(R)-1, "Employers Disclosures about Postretirement Benefit Plan Assets," which provides additional guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. This interpretation is effective for financial statements issued for fiscal years ending after December 15, 2009. We will adopt this interpretation as of January 31, 2010. The adoption of this interpretation will increase the disclosures in the financial statements related to the assets of our defined benefit pension plans.

Liquidity and Capital Resources

Cash Flows

Cash provided by operations was \$1.69 billion in 2008, \$1.36 billion in 2007 and \$1.15 billion in 2006. The increase in operating cash flow from 2007 to 2008 is primarily due to an increase in net income adjusted for non-cash charges, combined with an improvement in working capital. The increase in operating cash flow from 2006 to 2007 is primarily due to an increase in net income and non-cash expenses, including depreciation and amortization.

Cash used in investing activities was \$4.73 billion in 2008, \$217.7 million in 2007 and \$424.9 million in 2006. The change between 2008 and 2007 is primarily due to the 2.8 billion Euro (approximately \$4.4 billion, net of cash acquired) acquisition of Corporate Express. The change in cash used in investing activities for 2007 and 2006 is primarily due to fluctuations in our short-term investment portfolio.

Cash provided by financing activities was \$2.51 billion in 2008 compared to cash used in financing activities of \$966.2 million in 2007 and \$696.6 million in fiscal 2006. The increase in cash provided by financing activities for 2008 is primarily related to borrowings made pursuant to our January 2009 Notes and our 2008 Agreement, which along with the Revolving Credit Facility serves as a backstop to our Commercial Paper Program (each as defined below). The increase in cash provided by financing activities in 2008 is also the result of the repayment of our August 1997 \$200 million 7.125% Notes. In addition, under our share repurchase program, we repurchased 2.8 million shares for \$65.0 million in 2008 compared to 31.6 million shares for \$750.0 million in 2007. The increase in cash used in financing activities from 2006 to 2007 is due to the repayment of our August 1997 \$200 million 7.125% Notes. At the present time, although we have \$1.01 billion authorization, we have temporarily suspended our share repurchase program as a result of the acquisition of Corporate Express.

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Sources of Liquidity

We utilize cash generated from operations, short-term investments and our Revolving Credit Facility to cover seasonal fluctuations in cash flows and to support our various growth initiatives. In addition, in connection with the acquisition of Corporate Express, we issued the January 2009 Notes and entered into the 2008 Agreement which serves, along with our Revolving Credit Facility, as backstops to the Commercial Paper Program (each as defined below).

We had \$1.57 billion in total cash and funds available through credit agreements at January 31, 2009, which consisted of \$935.5 million of available credit and \$633.8 million of cash and cash equivalents.

A summary, as of January 31, 2009, of balances available under our credit agreements and debt outstanding is presented below (amounts in thousands):

Contractual Obligations(1)	Available Credit	Total Outstanding Obligations	Payments Due By Period			
			Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
2008 Agreement due July 2009	\$790,650	—	—	—	—	—
Commercial Paper Program	—	\$1,195,557(2)	\$1,195,557(2)	—	—	—
Revolving Credit Facility effective through October 2011	—	—	—	—	—	—
September 2002 Notes due October 2012	—	325,000	—	—	\$ 325,000	—
January 2009 Notes due January 2014	—	1,500,000	—	—	1,500,000	—
Lines of credit	144,856	840	840	—	—	—
Other notes and capital leases	—	399,976	276,851	\$ 122,665	460	—
Total Debt Obligations	\$935,506	\$3,421,373	\$1,473,248	\$ 122,665	\$1,825,460	—
Interest expense	—	\$ 725,156	\$ 146,250	\$ 292,500	\$ 286,406	—
Operating leases	—	\$ 5,719,590	\$ 851,412	\$1,534,879	\$1,201,246	\$2,132,053
Purchase obligations(3)	\$ —	\$ 545,790	\$ 419,952	\$ 57,781	\$ 27,893	\$ 40,164

(1) The above table excludes scheduled interest payments on fixed rate debt obligations that are hedged with derivative instruments intended to convert the fixed rate debt agreements into variable interest rate obligations because the amount of future interest payments due on these obligations is not currently determinable (see Notes E and F in the Notes to the Consolidated Financial Statements). As a result, only the interest expense associated with the January 2009 Notes is included in the table above.

(2) This obligation is backstopped by, and utilizes borrowing capacity of, \$470.4 million of our 2008 Agreement and \$729.5 million of our Revolving Credit Facility, and corresponding amounts are due in less than one year.

(3) Many of our purchase commitments may be canceled by us without advance notice or payment, and we have excluded such commitments, along with intercompany commitments. Contracts that may be terminated by us without cause or penalty, but that require advance notice for termination are valued on the basis of an estimate of what we would owe under the contract upon providing notice of termination.

In September 2008, Barclays Bank PLC agreed to assume the obligations of Lehman Brothers, Inc. and their affiliates under our 2008 Agreement, our Revolving Credit Facility, our Commercial Paper Program and our 2008 Term Credit Facility, as described below.

The 2008 Agreement

On April 1, 2008, we entered into a \$3.0 billion credit agreement (the "2008 Agreement") with Lehman Commercial Paper Inc., as administrative agent, Bank of America, N.A. and HSBC Bank USA, National Association, as co-syndication agents, and Lehman Brothers Inc., as lead arranger and bookrunner, for a commitment period beginning July 9, 2008 and continuing until 364 days thereafter, unless earlier terminated pursuant to the terms of the 2008 Agreement. The 2008 Agreement provides financing solely (1) for our acquisition of all of the outstanding capital stock of Corporate Express, including related transaction fees, costs and expenses, and (2) to backstop our Commercial Paper Program. Amounts borrowed under the 2008 Agreement may be borrowed, repaid and reborrowed from time to time. Originally the aggregate principal amount of the loans outstanding could not exceed the maximum borrowing amount of \$3.0 billion.

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On December 29, 2008, we voluntarily terminated \$250 million of our borrowing capacity under the 2008 Agreement which reduced the total commitment from \$3.0 billion to \$2.75 billion. On January 15, 2009, we further reduced our total commitment amount under the 2008 Agreement from \$2.75 billion to \$1.26 billion. The reduction was made pursuant to the mandatory commitment reduction provisions triggered by the receipt of proceeds from the offering of the January 2009 Notes described below.

Borrowings made pursuant to the 2008 Agreement will bear interest at either (a) the base rate (the higher of the prime rate, as defined in the 2008 Agreement, or the federal funds rate plus 0.50%) plus an "applicable margin," defined as a percentage spread based on our credit rating or (b) the Eurocurrency rate plus a different "applicable margin," also defined as a percentage spread based on our credit rating. The applicable margin for each base rate loan and Eurocurrency rate loan increases periodically, as set forth in the 2008 Agreement. The payments under the 2008 Agreement are guaranteed by the Guarantor Subsidiaries (as defined below). Under the 2008 Agreement, we agree to pay a commitment fee, payable quarterly, at rates that range from 0.080% to 0.175% based on our credit rating. The 2008 Agreement also contains financial covenants that require us to maintain a minimum fixed charge coverage ratio of 1.5:1.0 and a maximum adjusted funded debt to total capitalization ratio of 0.75:1.0. The 2008 Agreement also contains affirmative and negative covenants that are consistent with those contained in our 2008 Term Credit Facility and our Revolving Credit Facility. The 2008 Agreement contains certain customary events of default with corresponding grace periods. On July 1, 2008, we entered into the first amendment to the 2008 Agreement. The amendment provides that certain events, including the establishment of the 2008 Term Credit Facility (as described below) and maintaining certain obligations of Corporate Express after the acquisition, will not reduce the maximum commitment available under the 2008 Agreement. On September 12, 2008, we entered into the second amendment to the 2008 Agreement. The amendment provides us with the flexibility, within ten business days of the receipt of proceeds from other indebtedness, to use such proceeds to repay our Commercial Paper Program (as described below).

As of January 31, 2009, no borrowings were outstanding under our 2008 Agreement, but \$470.4 million of commercial paper was issued, reducing the available credit under this agreement to \$790.7 million.

Commercial Paper Program

On June 9, 2008, we established a commercial paper program (the "Commercial Paper Program") on a private placement basis under which we were originally able to issue unsecured commercial paper notes (the "Notes") up to a maximum aggregate principal amount outstanding at any time of \$3.0 billion. On January 15, 2009, in connection with the issuance of the January 2009 Notes, our Commercial Paper Program availability was reduced from \$3.0 billion to \$2.0 billion.

The 2008 Agreement and our Revolving Credit Facility serve as backstops to the Commercial Paper Program. Under the Commercial Paper Program, we may issue Notes from time to time, and the proceeds of the Notes will be used for general corporate purposes, including working capital, capital expenditures, acquisitions and share repurchases. Maturities of the Notes issued under the Commercial Paper Program vary but may not exceed 397 days from the date of issue. The Notes bear such interest rates, if interest bearing, or will be sold at such discount from their face amounts, as agreed upon from time to time by the dealers under the Commercial Paper Program and Staples. The payments under the Commercial Paper Program are guaranteed by the Guarantor Subsidiaries (as defined below). The Commercial Paper Program contains customary events of default with corresponding grace periods. As of January 31, 2009, \$1.2 billion of Notes were outstanding under the Commercial Paper Program. The Notes have a weighted average remaining maturity of 16 days with a weighted average interest rate of 4.0%. Of the total Notes outstanding, \$729.5 million were backstopped by the Revolving Credit Facility and \$470.4 million were backstopped by the 2008 Agreement.

Revolving Credit Facility

The Revolving Credit Facility provides for a maximum borrowing of \$750.0 million which, upon approval of the lenders, Staples may increase to \$1.0 billion, and expires on October 13, 2011. Borrowings made pursuant to the Revolving Credit Facility may be syndicated loans, competitive bid loans, or swing line loans, the combined sum of which may not exceed the maximum borrowing amount. Amounts borrowed under the Revolving Credit Facility may be

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borrowed, repaid and reborrowed from time to time until October 13, 2011. The borrowings under this Revolving Credit Facility are guaranteed by our Guarantor Subsidiaries (as defined below).

Borrowings made pursuant to the Revolving Credit Facility as syndicated loans will bear interest, payable quarterly or, if earlier, at the end of any interest period, at either (a) the base rate, described in the Revolving Credit Facility as the higher of the annual rate of the lead bank's prime rate or the federal funds rate plus 0.50%, or (b) the Eurocurrency rate (a publicly published rate) plus a percentage spread based on our credit rating and fixed charge coverage ratio. Borrowings made as competitive bid loans bear the competitive bid rate as specified in the applicable competitive bid. Swing line loans bear interest that is the lesser of the base rate or the swing line rate as quoted by the administrative agent under the terms of the Revolving Credit Facility. Under the Revolving Credit Facility, we agree to pay a facility fee, payable quarterly, at rates that range from 0.060% to 0.125% depending on our credit rating and fixed charge coverage ratio, and when applicable, a utilization fee.

On May 5, 2008, we entered into the first amendment (the "Amendment") to the Amended and Restated \$750.0 million Revolving Credit Agreement, as amended, dated as of October 13, 2006 (the "Revolving Credit Facility"). The Amendment was entered into in connection with our acquisition of Corporate Express and provided certain post-acquisition cure periods to allow us to cure defaults that could arise (i) as a result of change in control provisions contained in Corporate Express' outstanding debt obligations and (ii) under Corporate Express' and our outstanding debt obligations as a result of events or circumstances, such as litigation, liens or defaults, affecting Corporate Express. The Amendment did not alter the amount that may be borrowed under, or the terms of, the Revolving Credit Facility and confirmed our obligations to the lenders and administrative agent who are parties thereto. We issue letters of credit under our Revolving Credit Facility in the ordinary course of business. The Revolving Credit Agreement can also be used to backstop our Commercial Paper Program. At January 31, 2009, no borrowings were outstanding under the Revolving Credit Facility, \$20.5 million of open letters of credit were outstanding and \$729.5 million of backstopped commercial paper was issued, reducing the available credit under the Revolving Credit Facility from \$750.0 million to \$0.

January 2009 Notes

On January 15, 2009, we issued \$1.5 billion aggregate principal amount of notes (the "January 2009 Notes") due January 15, 2014, with a fixed interest rate of 9.75% payable semi-annually on January 15 and July 15 of each year commencing on July 15, 2009. The sale of the January 2009 Notes was made pursuant to the terms of an underwriting agreement (the "Underwriting Agreement"), dated January 12, 2009, with Barclays Capital Inc., Banc of America Securities LLC and HSBC Securities (USA) Inc., as representatives of the several underwriters named in the Underwriting Agreement. We received net proceeds, after the underwriting discount and estimated fees and expenses, of \$1.49 billion. Our obligations under the January 2009 Notes are unconditionally guaranteed on an unsecured unsubordinated basis by Staples the Office Superstore, LLC, Staples the Office Superstore East, Inc., Staples Contract & Commercial, Inc. and Staples the Office Superstore, Limited Partnership (collectively, the "Guarantor Subsidiaries").

2008 Term Credit Facility

On July 1, 2008, we entered into a \$400.0 million credit facility (the "2008 Term Credit Facility") with Lehman Commercial Paper, Inc., as administrative agent, Bank of America, N.A. and HSBC Bank USA, National Association, as co-syndication agents, and Lehman Brothers Inc., Banc of America Securities LLC and HSBC Securities (USA) Inc., as joint lead arrangers and joint bookrunners. On November 26, 2008, we repaid the entire remaining balance due on the 2008 Term Credit Facility.

Other Financing Agreements

In connection with our acquisition of Corporate Express, we assumed the obligations under Corporate Express' U.S. Securitization Program and the European Securitization Program (collectively, the "Securitization Programs"). As of January 31, 2009, we were able to borrow a maximum of \$200.0 million and EUR 75.0 million (approximately \$98.2 million based on exchange rates on that date) under the Securitization Programs. As of January 31, 2009, the utilized balance under the U.S. Securitization Program was \$180.4 million and the utilized balance under the European

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Securitization Program was EUR 33.5 million (approximately \$43.9 million). Borrowings outstanding under the Securitization Programs are included as a component of current liabilities in our condensed consolidated balance sheet, while the accounts receivable securing these obligations are included as a component of net receivables. On March 3, 2009, we terminated and repaid all outstanding balances under the Securitization Programs.

In addition, Corporate Express Australia Limited and its subsidiaries, which are approximately 59% owned by Corporate Express, are parties to credit facilities under which approximately \$114.2 million are outstanding.

There were no instances of default during 2008 under any of our debt agreements.

After taking into account our acquisition of Corporate Express, we expect that our cash generated from operations, together with our current cash, funds available under our existing credit agreements and other alternative sources of financing, will be sufficient to fund our planned store openings and other operating cash needs for at least the next twelve months.

Uses of Capital

As a result of our financial position, in addition to investing in our existing businesses and pursuing strategic acquisitions, we also expect to continue to return capital to our shareholders through a cash dividend program. Based on our credit metrics and our liquidity position, from time to time, we may also return capital to our shareholders through our share repurchase program, which is currently suspended.

In January 2009, we made significant progress refinancing the debt from the Corporate Express acquisition and issued an aggregate amount of \$1.5 billion 9.750% notes due in January 2014. In addition, we have reduced total debt by approximately \$1.0 billion from the second quarter of 2008. We plan to pay off and terminate what remains of our 2008 Agreement prior to July 2009 using the most attractive resources that are available to us in the market, which may include bank financing or a public bond issuance. Consistent with our overall capital structure framework, our goals for any additional financing include optimizing liquidity and flexibility, funding permanent assets with long-term financing, and using our strong cash flow to repay short-term debt, enabling us to rebuild our credit profile, minimize interest costs and stagger maturities.

We currently plan to spend approximately \$350 million on capital expenditures during 2009 primarily related to new store openings and continued investments in information systems and distribution centers to improve operational efficiencies and customer service. We expect to open approximately 65 new stores in North America, Europe and Asia during 2009.

While we have primarily grown organically, we may use capital to engage in strategic acquisitions or joint ventures in markets where we currently have a presence and in new geographic markets that could become significant to our business in future years. We do not expect to rely on acquisitions to achieve our targeted growth plans. We consider many types of acquisitions for their strategic and other benefits, such as our recent acquisition of Corporate Express. In the past, other than the Corporate Express acquisition, we have focused on smaller acquisitions designed to align with our existing businesses to drive long-term growth. We would expect to continue this strategy and target such acquisitions when opportunities are presented and within our financial structure.

In 2009, we changed our dividend policy from an annual dividend to quarterly dividends. On March 11, 2009, we announced that we would pay a first quarter 2009 cash dividend of \$0.0825 per share on April 16, 2009 to stockholders of record on March 27, 2009. We expect the total value of quarterly dividend payments in 2009 to be \$0.33 per share. In 2008, we paid an annual cash dividend of \$0.33 per share of common stock on April 17, 2008, to stockholders of record on March 28, 2008, resulting in a total dividend payment of \$231.5 million. While it is our intention to continue to pay quarterly cash dividends for the remainder of 2009 and beyond, any decision to pay future cash dividends will be made by our Board of Directors and will depend upon our earnings, financial condition and other factors.

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Inflation and Seasonality

While neither inflation nor deflation has had, nor do we expect them to have, a material impact upon operating results, there can be no assurance that our business will not be affected by inflation or deflation in the future. We believe that our business is somewhat seasonal, with sales and profitability slightly lower during the first half of our fiscal year.

Quantitative and Qualitative Disclosures about Market Risks

We are exposed to market risk from changes in interest rates and foreign exchange rates. We have a risk management control process to monitor our interest rate and foreign exchange risks. The risk management process uses analytical techniques, including market value, sensitivity analysis and value at risk estimates.

As more fully described in the notes to the consolidated financial statements, we use interest rate swap agreements to modify fixed rate obligations to variable rate obligations, thereby adjusting the interest rates to current market rates and ensuring that the debt instruments are always reflected at fair value. While our variable rate debt obligations, approximately \$1.92 billion at January 31, 2009, expose us to the risk of rising interest rates, management does not believe that the potential exposure is material to our overall financial position or results of operations. Based on January 31, 2009 borrowing levels, a 1.0% increase or decrease in current market interest rates would have the effect of causing a \$19.2 million additional pre-tax charge or credit to our statement of operations.

As more fully described in Note F in the Notes to the Consolidated Financial Statements, we are exposed to foreign exchange risks through subsidiaries or investments in Canada, Europe, Asia, Australia and South America. We have entered into a currency swap in Canadian dollars in order to hedge a portion of our foreign exchange risk related to our net investment in foreign subsidiaries. Any increase or decrease in the fair value of our currency exchange rate sensitive derivative instruments would be offset by a corresponding decrease or increase in the fair value of the hedged underlying asset.

We account for our interest rate and currency swap agreements using hedge accounting treatment as the derivatives have been determined to be highly effective in achieving offsetting changes in the fair values and cash flows of the hedged items. Under this method of accounting, at January 31, 2009, we have recorded a \$67.4 million asset representing gross unrealized gains on two of our derivatives and a \$3.5 million charge to equity representing gross unrealized losses on another derivative. During fiscal 2001, we terminated an interest swap agreement resulting in a realized gain of \$18.0 million which has been amortized into income through August 2007, the remaining term of the original agreement.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Staples, Inc.

We have audited the accompanying consolidated balance sheets of Staples, Inc. and subsidiaries as of January 31, 2009 and February 2, 2008, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15(a)2. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Staples, Inc. and subsidiaries at January 31, 2009 and February 2, 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 31, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note A to the consolidated financial statements, effective February 4, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Staples, Inc.'s internal control over financial reporting as of January 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 10, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Ernst & Young LLP

Boston, Massachusetts
March 10, 2009

STAPLES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Dollar Amounts in Thousands, Except Share Data)

	January 31, 2009	February 2, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 633,774	\$ 1,245,448
Short-term investments	—	27,016
Receivables, net	1,864,756	822,254
Merchandise inventories, net	2,404,210	2,053,163
Deferred income tax asset	281,101	173,545
Prepaid expenses and other current assets	546,340	233,956
Total current assets	5,730,181	4,555,382
Property and equipment:		
Land and buildings	1,040,754	859,751
Leasehold improvements	1,183,879	1,135,132
Equipment	1,949,646	1,819,381
Furniture and fixtures	926,702	871,361
Total property and equipment	5,100,981	4,685,625
Less accumulated depreciation and amortization	2,810,355	2,524,486
Net property and equipment	2,290,626	2,161,139
Lease acquisition costs, net of accumulated amortization	26,931	31,399
Intangible assets, net of accumulated amortization	701,918	231,310
Goodwill	3,780,169	1,764,928
Other assets	476,153	292,186
Total assets	\$ 13,005,978	\$ 9,036,344
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,126,148	\$ 1,560,728
Accrued expenses and other current liabilities	1,179,081	1,025,364
Commercial paper	1,195,557	—
Debt maturing within one year	277,691	23,806
Total current liabilities	4,778,477	2,609,898
Long-term debt	1,968,928	342,169
Other long-term obligations	636,142	356,043
Minority interest	58,224	10,227
Stockholders' Equity:		
Preferred stock, \$.01 par value, 5,000,000 shares authorized; no shares issued	—	—
Common stock, \$.0006 par value, 2,100,000,000 shares authorized; issued 882,032,761 shares at January 31, 2009 and 867,366,103 shares at February 2, 2008	529	520
Additional paid-in capital	4,048,398	3,720,319
Accumulated other comprehensive income (loss)	(494,327)	476,399
Retained earnings	5,367,341	4,793,542
Less: treasury stock at cost, 166,427,240 shares at January 31, 2009 and 162,728,588 shares at February 2, 2008	(3,357,734)	(3,272,773)
Total stockholders' equity	5,564,207	5,718,007
Total liabilities and stockholders' equity	\$ 13,005,978	\$ 9,036,344

See notes to consolidated financial statements.

STAPLES, INC. AND SUBSIDIARIES

Consolidated Statements of Income

(Dollar Amounts in Thousands, Except Share Data)

	Fiscal Year Ended		
	January 31, 2009	February 2, 2008	February 3, 2007
Sales	\$ 23,083,775	\$ 19,372,682	\$ 18,160,789
Cost of goods sold and occupancy costs	16,836,839	13,822,011	12,966,788
Gross profit	6,246,936	5,550,671	5,194,001
Operating and other expenses:			
Selling, general and administrative	4,631,219	3,986,758	3,716,517
Integration and restructuring costs	173,524	—	—
Amortization of intangibles	70,265	15,664	14,415
Total operating expenses	4,875,008	4,002,422	3,730,932
Operating income	1,371,928	1,548,249	1,463,069
Other income (expense):			
Interest income	28,485	46,726	58,839
Interest expense	(149,774)	(38,335)	(47,810)
Miscellaneous expense	(7,555)	(2,158)	(2,770)
Income before income taxes and minority interests	1,243,084	1,554,482	1,471,328
Income tax expense	428,863	559,614	497,972
Income before minority interests	814,221	994,868	973,356
Minority interest expense (income)	8,957	(802)	(321)
Net Income	\$ 805,264	\$ 995,670	\$ 973,677
Earnings per common share			
Basic	\$ 1.15	\$ 1.41	\$ 1.35
Diluted	\$ 1.13	\$ 1.38	\$ 1.32
Dividends declared per common share	\$ 0.33	\$ 0.29	\$ 0.22

See notes to consolidated financial statements.

STAPLES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

(Dollar Amounts in Thousands)

For the Fiscal Years Ended January 31, 2009, February 2, 2008 and February 3, 2007

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Comprehensive Income (Loss)
Balances at January 28, 2006	\$ 498	\$ 2,937,362	\$ 87,085	\$3,192,630	\$(1,735,974)	\$ 756,775
Issuance of common stock for stock options exercised	11	166,752	—	—	—	—
Tax benefit on exercise of options	—	36,069	—	—	—	—
Stock-based compensation	—	168,736	—	—	—	—
Sale of common stock under Employee Stock Purchase Plan and International Savings Plan	1	28,499	—	—	—	—
Net income for the year	—	—	—	973,677	—	973,677
Common stock dividend	—	—	—	(160,883)	—	—
Foreign currency translation adjustments	—	—	96,404	—	—	96,404
Changes in the fair value of derivatives (net of taxes of \$4,073)	—	—	5,626	—	—	5,626
Purchase of treasury shares	—	—	—	—	(775,822)	—
Other	—	994	—	—	—	—
Balances at February 3, 2007	\$ 510	\$ 3,338,412	\$ 189,115	\$4,005,424	\$(2,511,796)	\$ 1,075,707
Issuance of common stock for stock options exercised	9	146,845	—	—	—	—
Tax benefit on exercise of options	—	29,553	—	—	—	—
Stock-based compensation	—	173,343	—	—	—	—
Sale of common stock under Employee Stock Purchase Plan and International Savings Plan	1	31,649	—	—	—	—
Net income for the year	—	—	—	995,670	—	995,670
Common stock dividend	—	—	—	(207,552)	—	—
Foreign currency translation adjustments	—	—	262,639	—	—	262,639
Changes in the fair value of derivatives (net of taxes of \$17,847)	—	—	24,645	—	—	24,645
Purchase of treasury shares	—	—	—	—	(760,977)	—
Other	—	517	—	—	—	—
Balances at February 2, 2008	\$ 520	\$ 3,720,319	\$ 476,399	\$4,793,542	\$(3,272,773)	\$ 1,282,954
Issuance of common stock for stock options exercised	8	116,182	—	—	—	—
Tax benefit on exercise of options	—	5,849	—	—	—	—
Stock-based compensation	—	180,652	—	—	—	—
Sale of common stock under Employee Stock Purchase Plan and International Savings Plan	1	32,138	—	—	—	—
Net income for the year	—	—	—	805,264	—	805,264
Common stock dividend	—	—	—	(231,465)	—	—
Foreign currency translation adjustments	—	—	(819,061)	—	—	(819,061)
Changes in the fair value of derivatives (net of taxes of 23,817)	—	—	32,891	—	—	32,891
Deferred pension costs (net of taxes of \$58,900)	—	—	(184,556)	—	—	(184,556)
Purchase of treasury shares	—	—	—	—	(84,961)	—
Other	—	(6,742)	—	—	—	—
Balances at January 31, 2009	\$ 529	\$ 4,048,398	\$ (494,327)	\$5,367,341	\$(3,357,734)	\$ (165,462)

See notes to consolidated financial statements.

STAPLES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Dollar Amounts in Thousands)

	Fiscal Year Ended		
	January 31, 2009	February 2, 2008	February 3, 2007
Operating activities:			
Net income	\$ 805,264	\$ 995,670	\$ 973,677
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	548,911	388,895	339,299
Amortization of deferred financing costs	13,496	—	—
Non-cash write-down of assets	150,081	—	—
Stock-based compensation	180,652	173,343	168,736
Excess tax benefits from stock-based compensation arrangements	(5,849)	(18,557)	(36,069)
Deferred income taxes	33,370	(8,788)	(65,401)
Other	20,700	4,831	(365)
Change in assets and liabilities, net of companies acquired:			
Decrease (increase) in receivables	131,474	(64,293)	(128,010)
Decrease (increase) in merchandise inventories	177,163	(30,175)	(191,957)
Increase in prepaid expenses and other assets	(64,615)	(89,558)	(44,298)
(Decrease) increase in accounts payable	(212,414)	295	34,379
(Decrease) increase in accrued expenses and other current liabilities	(149,351)	(90,054)	79,187
Increase in other long-term obligations	56,948	99,407	21,823
Net cash provided by operating activities	1,685,830	1,361,016	1,151,001
Investing activities:			
Acquisition of property and equipment	(378,329)	(470,377)	(528,475)
Acquisition of businesses and investments in joint ventures, net of cash acquired	(4,381,811)	(178,077)	(31,750)
Proceeds from the sale of short-term investments	27,019	4,579,460	8,358,384
Purchase of short-term investments	(3)	(4,148,716)	(8,223,063)
Net cash used in investing activities	(4,733,124)	(217,710)	(424,904)
Financing activities:			
Proceeds from borrowings	3,679,045	11,796	13,988
Payments on borrowings	(2,180,296)	(206,515)	(5,191)
Proceeds from the issuance of commercial paper, net of repayments	1,195,557	—	—
Payment of deferred financing costs	(26,016)	—	—
Proceeds from the exercise of stock options and the sale of stock under employee stock purchase plans	148,329	178,504	195,263
Excess tax benefits from stock-based compensation arrangements	5,849	18,557	36,069
Cash dividends paid	(231,465)	(207,552)	(160,883)
Purchase of treasury stock, net	(84,961)	(760,977)	(775,822)
Net cash provided by (used in) financing activities	2,506,042	(966,187)	(696,576)
Effect of exchange rate changes on cash and cash equivalents	(70,422)	50,658	10,328
Net (decrease) increase in cash and cash equivalents	(611,674)	227,777	39,849
Cash and cash equivalents at beginning of period	1,245,448	1,017,671	977,822
Cash and cash equivalents at end of period	\$ 633,774	\$ 1,245,448	\$ 1,017,671

See notes to consolidated financial statements.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements

NOTE A Summary of Significant Accounting Policies

Nature of Operations: Staples, Inc. and subsidiaries ("Staples" or the "Company") pioneered the office products superstore concept and Staples is a leading office products company. Staples operates three business segments: North American Delivery, North American Retail and International Operations. The North American Delivery segment consists of the U.S. and Canadian business units that sell and deliver office products and services directly to customers, and includes Staples Business Delivery, Quill and Contract (including Corporate Express). The Company's North American Retail segment consists of the U.S. and Canadian business units that operate office products stores. The International Operations segment consists of business units that operate office products stores and that sell and deliver office products and services directly to customers in 25 countries in Europe, Asia, Australia and South America.

Basis of Presentation: The consolidated financial statements include the accounts of Staples, Inc. and its wholly and majority owned subsidiaries, and the recent acquisition of Corporate Express N.V. ("Corporate Express") (see Note B). All intercompany accounts and transactions are eliminated in consolidation.

Fiscal Year: Staples' fiscal year is the 52 or 53 weeks ending on the Saturday closest to January 31. Fiscal 2008 ("2008") consisted of the 52 weeks ended January 31, 2009, fiscal year 2007 ("2007") consisted of the 52 weeks ended February 2, 2008 and fiscal year 2006 ("2006") consisted of the 53 weeks ended February 3, 2007.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of Staples to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents: Staples considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Short-term Investments: At January 31, 2009, the Company did not have any short-term investments. At February 2, 2008, the Company's investments consisted of treasury securities. The Company classifies its investments as "available for sale" under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, the short-term investments are reported at fair value, with any related unrealized gains and losses included as a separate component of stockholders' equity, net of applicable taxes. Realized gains and losses and interest and dividends are included in interest income or interest expense, as appropriate.

Receivables: Receivables include trade receivables financed under regular commercial credit terms and other non-trade receivables. Gross trade receivables were \$1.50 billion at January 31, 2009 and \$642.2 million at February 2, 2008. Concentrations of credit risk with respect to trade receivables are limited due to Staples' large number of customers and their dispersion across many industries and geographic regions. Included in trade receivables at January 31, 2009 was \$289.1 million which secured the Company's borrowings outstanding under its U.S. Securitization Program and European Securitization Program (the "Securitization Programs") (see Note E). The Company's obligations under the Securitization Programs were assumed in connection with its acquisition of Corporate Express.

An allowance for doubtful accounts has been recorded to reduce trade receivables to an amount expected to be collectible from customers based on specific evidence as well as historic trends. The allowance recorded at January 31, 2009 and February 2, 2008 was \$57.3 million and \$22.5 million, respectively.

Other non-trade receivables were \$421.0 million at January 31, 2009 and \$202.5 million at February 2, 2008 and consisted primarily of purchase and advertising rebates due from vendors under various incentive and promotional programs. Amounts expected to be received from vendors relating to the purchase of merchandise inventories and reimbursement of incremental costs, such as advertising, are recognized as a reduction of inventory cost and realized as part of cost of goods sold as the merchandise is sold.

Merchandise Inventories: Merchandise inventories are valued at the lower of weighted-average cost or market value. The Company reserves for obsolete, overstocked and inactive inventory based on the difference between the

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE A Summary of Significant Accounting Policies (Continued)

weighted-average cost of the inventory and the estimated market value using assumptions of future demand and market conditions.

Private Label Credit Card: Staples offers a private label credit card which is managed by a financial services company. Under the terms of the agreement, Staples is obligated to pay fees which approximate the financial institution's cost of processing and collecting the receivables, which are non-recourse to Staples.

Property and Equipment: Property and equipment are recorded at cost. Expenditures for normal maintenance and repairs are charged to expense as incurred. Depreciation and amortization, which includes the amortization of assets recorded under capital lease obligations, are provided using the straight-line method over the following useful lives: 40 years for buildings; 3-10 years for furniture and fixtures; and 3-10 years for equipment, which includes computer equipment and software with estimated useful lives of 3-5 years. Leasehold improvements are amortized over the shorter of the terms of the underlying leases or the estimated economic lives of the improvements.

Lease Acquisition Costs: Lease acquisition costs are recorded at cost and amortized using the straight-line method over the respective lease terms, including option renewal periods if renewal of the lease is probable, which range from 5 to 40 years. Accumulated amortization at January 31, 2009 and February 2, 2008 was \$71.0 million and \$68.4 million, respectively.

Goodwill and Intangible Assets: SFAS No. 142, "Accounting for Goodwill and Other Intangible Assets" requires that goodwill and intangible assets that have indefinite lives not be amortized but, instead, tested at least annually for impairment. Management uses a discounted cash flow analysis, which requires that certain assumptions and estimates be made regarding industry economic factors and future profitability of acquired businesses to assess the need for an impairment charge. The Company has elected the fourth quarter to complete its annual goodwill impairment test. As a result of the fourth quarter impairment analyses, management has determined that no impairment charges are required.

The changes in the carrying amount of goodwill during the year ended January 31, 2009, which includes a net addition of \$2.60 billion in connection with the acquisition of Corporate Express, are as follows (in thousands):

	<u>Goodwill</u> <u>At February 2, 2008</u>	<u>2008 Net</u> <u>Additions</u>	<u>2008 Foreign</u> <u>Exchange</u> <u>Fluctuations</u>	<u>Goodwill</u> <u>At January 31, 2009</u>
North American Delivery	\$ 505,690	\$ 1,270,000	\$ (214,667)	\$ 1,561,023
North American Retail	42,848	283,806	(55,723)	270,931
International Operations	1,216,390	1,045,391	(313,566)	1,948,215
Consolidated	<u>\$ 1,764,928</u>	<u>\$ 2,599,197</u>	<u>\$ (583,956)</u>	<u>\$ 3,780,169</u>

At January 31, 2009, intangible assets subject to amortization, which include registered trademarks and trade names and customer relationships were \$953.4 million, with accumulated amortization of \$251.5 million and a weighted average life of 9.6 years. Intangible assets at January 31, 2009 include \$660.8 million, with accumulated amortization of \$47.5 million, of acquired intangibles in connection with the acquisition of Corporate Express. During the third quarter of 2008, as a result of the Company's decision to move toward one global Staples brand, the Company recorded a non-cash, pre-tax charge of \$123.8 million (see Note C). After this charge, all intangible assets are subject to amortization. At February 2, 2008, intangible assets subject to amortization were \$140.7 million with accumulated amortization of \$62.4 million and intangible assets not subject to amortization, which included registered trademarks and trade names, were \$153.0 million.

Impairment of Long-Lived Assets: SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144") requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Staples' policy is to evaluate long-lived assets for impairment at a store level for retail operations and an operating unit level for Staples' other operations.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE A Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments: Pursuant to SFAS No. 107, "Disclosure About Fair Value of Financial Instruments" ("SFAS No. 107"), Staples has estimated the fair value of its financial instruments using the following methods and assumptions: the carrying amounts of cash and cash equivalents, short-term investments, receivables and accounts payable approximate fair value because of their short-term nature, and the carrying amounts of Staples' debt (excluding the January 2009 Notes (as defined below)) approximates fair value because of the Company's use of derivative instruments that qualify for hedge accounting. The carrying amount of the January 2009 Notes approximates fair value because the market and credit conditions have not significantly changed since the notes were issued on January 15, 2009.

Revenue Recognition: Revenue is recognized at the point of sale for the Company's retail operations and at the time of shipment for its delivery sales. The Company offers its customers various coupons, discounts and rebates, which are treated as a reduction of revenue. Staples sells certain machines to customers which are financed by external financing companies and for which they have given repurchase guarantees. The Company recognizes revenue from the sale of these machines only when the right of recourse has ended and the Company is legally released from its repurchase obligation.

Sales of extended service plans are either administered by an unrelated third party or by the Company. The unrelated third party is the legal obligor in most of the areas they administer and accordingly bears all performance obligations and risk of loss related to the service plans sold in such areas. In these areas, Staples recognizes a net commission revenue at the time of sale for the service plans. In certain areas where Staples is the legal obligor, the revenues associated with the sale are deferred and recognized over the life of the service contract, which is typically one to five years.

Cost of Goods Sold and Occupancy Costs: Cost of goods sold and occupancy costs includes the costs of: merchandise sold, inbound and outbound freight, receiving and distribution, and store and distribution center occupancy (including real estate taxes and common area maintenance).

Shipping and Handling Costs: All shipping and handling costs are included as a component of cost of goods sold and occupancy costs.

Selling, General and Administrative Expenses: Selling, general and administrative expenses include payroll, advertising and other operating expenses for the Company's stores and delivery operations not included in cost of goods sold and occupancy costs.

Advertising: Staples expenses the production costs of advertising the first time the advertising takes place, except for the cost of direct-response advertising, primarily catalog production costs, which are capitalized and amortized over their expected period of future benefits (i.e., the life of the catalog). Direct catalog production costs included in prepaid and other assets totaled \$23.4 million at January 31, 2009 and \$35.9 million at February 2, 2008. Total advertising and marketing expense was \$667.7million, \$710.0 million and \$660.3 million for 2008, 2007 and 2006, respectively.

Pre-opening Costs: Pre-opening costs, which consist primarily of salaries, supplies, marketing and distribution costs, are expensed as incurred.

Integration and Restructuring Costs: Integration and restructuring costs represent the costs associated with the integration of the acquired Corporate Express business with the Company's pre-existing business and the consolidation of certain operations of the Company.

Stock-Based Compensation: The Company adopted SFAS No. 123 (revised 2004), "Share Based Payment" ("SFAS No. 123R") as of January 29, 2006, using the modified retrospective method.

Foreign Currency Translation: The assets and liabilities of Staples' foreign subsidiaries are translated into U.S. dollars at current exchange rates as of the balance sheet date, and revenues and expenses are translated at average monthly exchange rates. The resulting translation adjustments, and the net exchange gains and losses resulting from the translation of investments in Staples' foreign subsidiaries are recorded as a separate component of stockholders' equity.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE A Summary of Significant Accounting Policies (Continued)

Derivative Instruments and Hedging Activities: The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value. Changes in the fair value of derivative financial instruments that qualify for hedge accounting are recorded in stockholders' equity as a component of accumulated other comprehensive income or as an adjustment to the carrying value of the hedged item. Changes in fair values of derivatives not qualifying for hedge accounting are reported in earnings.

Accounting for Income Taxes: In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 clarifies the accounting for uncertain income tax positions that are recognized in a company's financial statements in accordance with the provisions of FASB Statement No. 109, "Accounting for Income Taxes". FIN 48 also provides guidance on the derecognition of uncertain positions, financial statement classification, accounting for interest and penalties, accounting for interim periods, and new disclosure requirements.

The Company adopted FIN 48 as of February 4, 2007, the first day of the 2007 fiscal year. The adoption of FIN 48 did not result in any material adjustments to the Company's reserves for uncertain tax positions. At January 31, 2009, the Company had \$217.0 million of gross unrecognized tax benefits, \$84.1 million of which, if recognized would affect the Company's tax rate. At February 2, 2008, the Company had \$87.7 million of gross unrecognized tax benefits, \$66.1 million of which, if recognized would affect the Company's tax rate. At the beginning of fiscal 2007, the Company had \$81.8 million of gross unrecognized tax benefits, \$65.9 million of which, if recognized, would affect the Company's tax rate. The increase in unrecognized tax benefits at January 31, 2009 is primarily due to the acquisition of Corporate Express. The Company does not reasonably expect any material changes to the estimated amount of liability associated with its uncertain tax positions through fiscal 2009. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Balance at beginning of fiscal year	\$ 87,688	\$ 81,848
Additions for tax positions related to the current year	24,859	22,460
Additions for acquired business	107,699	—
Additions for tax positions of prior years	6,343	8,932
Reductions for tax positions of prior years	(7,597)	(18,430)
Settlements	(2,031)	(7,122)
Balance at end of fiscal year	<u>\$216,961</u>	<u>\$ 87,688</u>

Staples is subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company has substantially concluded all U.S. federal income tax matters for years through 2005 and all material state, local and foreign income tax matters for years through 2000.

Staples' continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. The Company had \$17.6 million and \$11.1 million accrued for interest and penalties as of January 31, 2009 and February 2, 2008, respectively.

New Accounting Pronouncements: In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurement), then priority to quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market (Level 2 measurement), then the lowest priority to unobservable inputs (Level 3 measurement). In February 2008, the FASB issued FASB Staff Position ("FSP") No. 157-2, "Effective date of FASB Statement No. 157", which delayed for one year the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Effective February 3, 2008, the Company adopted SFAS No. 157 for its financial assets. The adoption had no impact on the Company's financial condition, results of operations or cash flows. The

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE A Summary of Significant Accounting Policies (Continued)

Company does not anticipate that the adoption of SFAS No. 157 for non-financial assets and liabilities will have a material impact on its financial condition, results of operations or cash flows.

The following table shows assets and liabilities as of January 31, 2009, that are measured at fair value on a recurring basis (in thousands):

	Quoted Prices in Active Markets for Identical Assets or Liabilities Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3
Derivative assets	—	\$ 67,425	—
Derivative liabilities	—	(3,550)	—

In September 2006, the FASB issued SFAS No. 158, "Employers: Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statement Nos. 87, 88, 106 and 132(R)" ("SFAS No. 158"). SFAS No. 158 requires deferred pension gains and losses to be reflected in accumulated other comprehensive income and requires that the valuation date of plan accounts be changed to the end of the company's fiscal year, with that change required to be implemented for fiscal years ending after December 15, 2008. The Company adopted the provisions of SFAS No. 158 in 2008 as a result of the assumption of pension plans in connection with its acquisition of Corporate Express. This adoption had no impact on the Company's financial condition, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 permits entities to elect to measure many financial instruments and certain other items at fair value at specific election dates. The Company did not elect to adopt the fair value option provided under SFAS No. 159.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations" ("SFAS No. 141(R)"). SFAS No. 141(R) replaces SFAS No. 141, "Business Combinations", but retains the requirement that the purchase method of accounting for acquisitions be used for all business combinations. SFAS No. 141(R) expands on the disclosures previously required by SFAS No. 141, better defines the acquirer and the acquisition date in a business combination, and establishes principles for recognizing and measuring the assets acquired (including goodwill), the liabilities assumed and any noncontrolling interests in the acquired business. SFAS No. 141(R) also requires an acquirer to record an adjustment to income tax expense for changes in valuation allowances or uncertain tax positions related to acquired businesses. SFAS No. 141(R) is effective for all business combinations with an acquisition date in the first annual period following December 15, 2008; early adoption is not permitted. The Company adopted this statement as of February 1, 2009. The Company does not expect SFAS No. 141(R) to have a material impact on the Company's income tax expense related to adjustments for changes in valuation allowances and tax reserves for prior business combinations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 requires that noncontrolling (or minority) interests in subsidiaries be reported in the equity section of the company's balance sheet, rather than in a mezzanine section of the balance sheet between liabilities and equity. SFAS No. 160 also changes the manner in which the net income of the subsidiary is reported and disclosed in the controlling company's income statement. SFAS No. 160 also establishes guidelines for accounting for changes in ownership percentages and for deconsolidation. SFAS No. 160 is effective for financial statements for fiscal years beginning on or after December 1, 2008 and interim periods within those years. As SFAS No. 160 will only impact the Company's presentation of minority interests on the balance sheet, the adoption of SFAS No. 160 will have no material impact on its financial condition, results of operations or cash flows.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"). SFAS No. 161 enhances disclosures for derivative instruments and hedging activities, including: (i) the manner in which a company uses derivative instruments; (ii) the manner in which derivative instruments and related hedged items are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and (iii) the effect of derivative instruments and related hedged items on a company's financial position. SFAS No. 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008 and interim periods within

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE A Summary of Significant Accounting Policies (Continued)

those fiscal years. The Company adopted this statement as of February 1, 2009. As SFAS No. 161 relates specifically to disclosures, this standard will have no impact on the Company's financial condition, results of operations or cash flows.

In April 2008, the FASB issued FASB Staff Position ("FSP") No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP No. 142-3"). FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets". FSP No. 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company adopted this statement as of February 1, 2009. The adoption of FSP No. 142-3 is not expected to have a material impact on the Company's financial condition, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with generally accepted accounting principles in the United States for non-governmental entities. SFAS No. 162 is effective 60 days following approval by the U.S. Securities and Exchange Commission ("SEC") of the Public Company Accounting Oversight Board's amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles". The Company does not expect SFAS No. 162 to have a material impact on its financial condition, results of operations or cash flows.

In December 2008, the FASB issued FASB Staff Position FSP 132(R)-1, "Employers Disclosures about Postretirement Benefit Plan Assets," which provides additional guidance on an employers' disclosures about plan assets of a defined benefit pension or other postretirement plan. This interpretation is effective for financial statements issued for fiscal years ending after December 15, 2009. The Company will adopt this interpretation as of January 31, 2010. The adoption of this interpretation will increase the disclosures in the financial statements related to the assets of the Company's defined benefit pension plans.

Reclassifications: Certain previously reported amounts have been reclassified to conform with the current period presentation.

NOTE B Business Combinations

In July 2008, Staples acquired Corporate Express N.V. ("Corporate Express"), a Dutch office products distributor with operations in North America, Europe and Australia, through a tender offer for all of its outstanding capital stock. The acquisition of Corporate Express establishes Staples' contract business in Europe and Canada and increases Staples' contract business in the United States. The acquisition also extends Staples geographic reach to Australia and New Zealand, through a 59% ownership interest in Corporate Express Australia Limited, a public company traded on the Australian Stock Exchange. As a result of the acquisition, Staples added operations in five countries. The Company currently has operations in 27 countries.

The aggregate cash purchase price of 2.8 billion Euros (approximately \$4.4 billion, net of cash acquired) for the capital stock of Corporate Express and for the repayment of most of Corporate Express' debt was funded primarily with the sale of notes under the Commercial Paper Program, which was backstopped by the 2008 Agreement, and additional funds from the 2008 Term Credit Facility, which was fully repaid in November 2008, the Company's existing Revolving Credit Facility (each as described in Note E), and the Company's available cash and short-term investments.

At the time the tender offer was fully settled on July 23, 2008, Staples had acquired more than 99% of the outstanding capital stock of Corporate Express. Staples intends by the end of fiscal year 2009 to acquire the remaining capital of Corporate Express by means of a compulsory acquisition procedure in accordance with the Dutch Civil Code. In July 2008, Staples also acquired, and subsequently paid off, all of the outstanding 8.25% Senior Subordinated Notes due July 1, 2014 and all of the outstanding 7.875% Senior Subordinated Notes due March 1, 2015 of Corporate Express U.S. Finance Inc., a wholly owned subsidiary of Corporate Express.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE B Business Combinations (Continued)

The operating results of Corporate Express have been included in the consolidated financial statements since July 2, 2008, the date Staples declared the terms of the tender offer unconditional. The Corporate Express results are reported in Staples' North American Delivery and International Operations for segment reporting.

The acquisition is being accounted for using the purchase method in accordance with SFAS No. 141, "Business Combinations." Accordingly, the purchase price has been allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of net assets acquired was recorded as goodwill.

The purchase price allocation, including an independent appraisal for certain tangible and intangible assets, has been prepared on a preliminary basis based on the information that was available to management at the time the Consolidated Financial Statements were prepared, and revisions to the preliminary purchase price allocation are expected as additional information becomes available.

The Company has not finalized its integration and restructuring plans for Corporate Express, including severance, facility closures, systems consolidation and tax elections, the results of which will impact the final purchase price allocation. This may also include asset impairments related to Staples' historical operations as its corporate infrastructure and related assets adapt to business changes. These amounts will be recognized in the income statement as integration and restructuring costs. In addition, certain historical tax assets may be negatively impacted by the acquisition, which could result in additional tax expense that would be recognized through an increase in the Company's effective tax rate.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date the terms of the tender offer were declared unconditional (in thousands):

	<u>As of July 2, 2008</u>
Current assets (excluding acquired cash)	\$ 2,155,808
Property and equipment	373,073
Other assets	1,014,863
Goodwill	2,599,197
Intangible assets	777,560
Total assets acquired	<u>\$ 6,920,501</u>
Current liabilities	\$ 1,771,548
Long-term debt	151,826
Other long-term liabilities	615,316
Total liabilities assumed	<u>\$ 2,538,690</u>
Net assets acquired, excluding cash	<u>\$ 4,381,811</u>

At July 2, 2008, the date the terms of the tender offer were declared unconditional, Staples allocated assets of \$3.33 billion, \$3.37 billion, and \$283.8 million to the North American Delivery, International Operations and North American Retail segments, respectively. Included in total assets were goodwill and intangible assets totaling \$3.38 billion, of which \$1.63 billion, \$1.47 billion and \$283.8 million were allocated to the North American Delivery, International Operations and North American segments, respectively. None of the goodwill is expected to be deductible for tax purposes. Of the \$777.6 million of estimated acquired intangible assets, \$668.8 million was assigned to customer relationships that are being amortized over a weighted average useful life of 12.3 years and \$108.8 million was assigned to tradenames, which have lives ranging from 18 months to 10 years with a weighted average useful life of 5.8 years.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE B Business Combinations (Continued)

Estimated future amortization expense associated with the intangible assets acquired from Corporate Express at January 31, 2009 is as follows (in thousands):

2009	\$ 77,363
2010	51,888
2011	51,888
2012	51,888
2013	51,888
Thereafter	316,876
	<u>\$601,791</u>

For the preliminary valuation of customer relationships, the Company used the multi-period excess earnings method. This approach discounts the estimated after tax cash flows (including gross margins on revenues, operating expenses and market participant synergies, less a charge for the tradename and contributory charges) associated with the existing base of customers as of the acquisition date, factoring in expected attrition of the existing customer base. The present value of the cash flows was calculated using a discount rate of 11%.

The activity related to the Company's reserves for the periods subsequent to the acquisition date is as follows (in thousands):

	<u>Purchase accounting adjustments offset to goodwill</u>	<u>Utilization</u>	<u>Balance January 31, 2009</u>
Transaction costs	\$ 38,365	\$(33,578)	\$ 4,787
Severance	48,621	(6,454)	42,167
Facility closures	6,881	(326)	6,555
Other	2,920	(1,785)	1,135
Total	<u>\$ 96,787</u>	<u>\$(42,143)</u>	<u>\$ 54,644</u>

The following unaudited proforma summary presents information as if Corporate Express had been acquired as of February 4, 2007, the first day of the Company's 2007 fiscal year. In addition to an adjustment to amortization expense to reflect the value of intangibles recorded for this acquisition, the proforma amounts include incremental interest expense for all periods to reflect the increase in borrowings under the 2008 Agreement, the Commercial Paper Program, the 2008 Term Credit Facility, and the Revolving Credit Facility (each as defined in Note E) to finance the acquisition as if the increase had occurred at the beginning of fiscal 2007. Proforma interest expense also reflects the elimination of interest expense on Corporate Express debt that was repaid at the time of acquisition. No adjustment was made to reduce historical interest income to reflect the Company's use of available cash in this acquisition. The proforma summary also reflects the effective tax rate applicable for the combined company. The proforma amounts do not reflect any benefits from economies that might be achieved from combining the operations of the two companies.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE B Business Combinations (Continued)

The proforma information presented below (in thousands, except per share data) does not necessarily reflect the actual results that would have occurred had the companies been combined during the periods presented, nor is it necessarily indicative of the future results of operations of the combined companies.

	2008	2007
Net sales	\$26,458,426	\$26,998,821
Net income from continuing operations(1)	734,078	931,246
Net income(1)	798,346	1,102,193
Basic earnings per share	1.14	1.56
Diluted earnings per share	1.12	1.53

(1)

Fiscal 2008 results include \$124,012 of costs, net of taxes, related to strategic initiatives and certain transaction costs incurred by Corporate Express prior to the transaction date.

During 2007, the Company paid an aggregate of \$188.3 million to acquire all or a majority interest in certain delivery businesses headquartered in the United States and China. Additionally, in 2007, the Company made an investment in a joint venture in India. The Company recorded \$181.1 million of goodwill and \$20.7 million of intangible assets for all acquisitions and investments completed in 2007, of which \$38.0 million of goodwill is expected to be deductible for tax purposes. The \$20.7 million recorded for intangible assets was assigned to trade names and customer related intangible assets that will be amortized over a weighted average life of 8.1 years.

NOTE C Integration and Restructuring Costs

Integration and restructuring costs are associated with the integration of the acquired Corporate Express business with the Company's pre-existing business and the consolidation of certain operations of the Company. Integration and restructuring costs were \$173.5 million for 2008. Included in integration and restructuring costs for 2008 is a \$123.8 million charge related to the write-down of indefinite lived intangible tradenames associated with the European catalog business. The tradename write-down was the result of the Company's decision to move toward one global brand with the acquisition of Corporate Express, eliminating over time the legacy Staples brands used in the pre-existing European catalog business. Integration and restructuring costs also include a \$26.3 million charge related to the write-down of software and facilities whose use was expected to be limited as a result of the acquisition, \$21.7 million of consulting and travel fees and a \$1.7 million charge for employee retention.

NOTE D Accrued Expenses and Other Current Liabilities

The major components of accrued liabilities are as follows (in thousands):

	January 31, 2009	February 2, 2008
Taxes	\$ 227,945	\$ 233,542
Employee related	280,098	247,374
Acquisition and restructuring reserves	108,921	41,130
Advertising and marketing	104,511	79,977
Other	457,606	423,341
Total	\$1,179,081	\$1,025,364

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STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE E Debt and Credit Agreements

The major components of the Company's outstanding debt are as follows (in thousands):

	January 31, 2009	February 2, 2008
2008 Agreement due July 2009	—	—
Commercial Paper Program	\$ 1,195,557	—
Revolving Credit Facility effective through October 2011	—	—
September 2002 Notes due October 2012	325,000	\$ 325,000
January 2009 Notes due January 2014	1,500,000	—
Securitization Programs	224,289	—
Australian Credit Facilities	114,159	—
Capital lease obligations and other notes payable with effective interest rates from 3.5% to 5.0%	62,368	31,670
	<u>3,421,373</u>	<u>356,670</u>
Deferred gain on settlement of interest rate swap and fair value adjustments on hedged debt	20,803	9,305
Less current portion	(1,473,248)	(23,806)
Net long-term debt	<u>\$ 1,968,928</u>	<u>\$ 342,169</u>

Aggregate annual maturities of long-term debt and capital lease obligations are as follows (in thousands):

Fiscal Year:	Total
2009	\$1,473,248
2010	122,235
2011	430
2012	325,430
2013	1,500,030
	<u>\$3,421,373</u>

Future minimum lease payments under capital leases of \$4.8 million, excluding \$0.2 million of interest, are included in aggregate annual maturities shown above. Staples entered into no new capital lease agreements during 2008, and assumed no obligations for such agreements in connection with the acquisition of Corporate Express. Staples entered into capital lease obligations totaling \$3.9 million during 2007. Staples entered into no new capital lease agreements during 2006.

Interest paid by Staples totaled \$105.3 million, \$42.0 million and \$45.9 million for 2008, 2007 and 2006, respectively. There was no interest capitalized in 2008 or 2007. There was \$0.2 million of capitalized interest in 2006.

January 2009 Notes

On January 15, 2009, Staples issued \$1.5 billion aggregate principal amount of notes (the "January 2009 Notes") due January 15, 2014, with a fixed interest rate of 9.75% payable semi-annually on January 15 and July 15 of each year commencing on July 15, 2009. The sale of the January 2009 Notes was made pursuant to the terms of an underwriting agreement (the "Underwriting Agreement"), dated January 12, 2009 with Barclays Capital Inc., Banc of America Securities LLC and HSBC Securities (USA) Inc., as representatives of the several underwriters named in the Underwriting Agreement. Staples received net proceeds, after the underwriting discount and estimated fees and expenses of \$1.49 billion. Staples' obligations under the January 2009 Notes are unconditionally guaranteed on an unsecured unsubordinated basis by Staples the Office Superstore, LLC, Staples the Office Superstore East, Inc., Staples Contract & Commercial, Inc. and Staples the Office Superstore, Limited Partnership (collectively, the "Guarantor Subsidiaries").

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE E Debt and Credit Agreements (Continued)

Acquisition Financing

In September 2008, Barclays Bank PLC agreed to assume the obligations of Lehman Brothers Inc. and their affiliates under the Company's 2008 Agreement, the Commercial Paper Program, the 2008 Term Credit Facility and the Revolving Credit Facility, each as described below.

2008 Agreement: On April 1, 2008, Staples entered into a \$3.0 billion credit agreement (the "2008 Agreement") with Lehman Commercial Paper Inc., as administrative agent, Bank of America, N.A. and HSBC Bank USA, National Association, as co-syndication agents, and Lehman Brothers Inc., as lead arranger and bookrunner, for a commitment period beginning on July 9, 2008 and continuing until 364 days thereafter, unless earlier terminated pursuant to the terms of the 2008 Agreement. The 2008 Agreement provides financing solely (1) for the Company's acquisition of all of the outstanding capital stock of Corporate Express, including related transaction fees, costs and expenses, and (2) to backstop the Company's Commercial Paper Program. Amounts borrowed under the 2008 Agreement may be borrowed, repaid and reborrowed from time to time. Originally, the aggregate principal amount of the loans outstanding could not exceed the maximum borrowing amount of \$3.0 billion.

On December 29, 2008, Staples voluntarily terminated \$250 million of its borrowing ability under the 2008 Agreement which reduced the total commitment from \$3.0 billion to \$2.75 billion. On January 15, 2009, Staples further reduced the total commitment amount under the 2008 Agreement from \$2.75 billion to \$1.26 billion. The reduction was made pursuant to the mandatory commitment reduction provisions triggered by the receipt of proceeds from the offering of the January 2009 Notes described above.

Borrowings made pursuant to the 2008 Agreement will bear interest at either (a) the base rate (the higher of the prime rate, as defined in the 2008 Agreement, or the federal funds rate plus 0.50%) plus an "applicable margin," defined as a percentage spread based on Staples' credit rating or (b) the Eurocurrency rate plus a different "applicable margin," also defined as a percentage spread based on Staples' credit rating. The applicable margin for each base rate loan and Eurocurrency rate loan increases periodically, as set forth in the 2008 Agreement. The payments under the 2008 Agreement are guaranteed by the Guarantor Subsidiaries. Under the 2008 Agreement, Staples agrees to pay a commitment fee, payable quarterly, at rates that range from 0.080% to 0.175% based on Staples' credit rating. The 2008 Agreement also contains financial covenants that require Staples to maintain a minimum fixed charge coverage ratio of 1.5:1.0 and a maximum adjusted funded debt to total capitalization ratio of 0.75:1.0. The Company is within compliance on both financial covenants. The 2008 Agreement also contains affirmative and negative covenants that are consistent with those contained in Staples' 2008 Term Credit Facility and Revolving Credit Facility (each as defined below). The 2008 Agreement contains certain customary events of default with corresponding grace periods. On July 1, 2008, Staples entered into the first amendment to the 2008 Agreement. The amendment was entered into to provide that certain events, including the establishment of the 2008 Term Credit Facility (as described below) and maintaining certain obligations of Corporate Express after the acquisition, will not reduce the maximum commitment available under the 2008 Agreement. On September 12, 2008, Staples entered into the second amendment to the 2008 Agreement. The amendment provides Staples with the flexibility, within ten business days of the receipt of proceeds from other indebtedness, to use such proceeds to repay the Commercial Paper Program (as described below).

As of January 31, 2009, no borrowings were outstanding under the 2008 Agreement, but \$470.4 million of commercial paper was issued, reducing the available credit under this agreement to \$790.7 million.

Commercial Paper Program: On June 9, 2008, Staples established a commercial paper program (the "Commercial Paper Program") on a private placement basis under which the Company may issue unsecured commercial paper notes (the "Notes") up to a maximum aggregate principal amount outstanding at any time of \$3.0 billion. On January 15, 2009, as described above, in connection with the issuance of the January 2009 Notes, Staples Commercial Paper Program availability was reduced from \$3.0 billion to \$2.0 billion.

The 2008 Agreement and the Revolving Credit Facility serve as backstops to the Commercial Paper Program. Under the Commercial Paper Program, Staples may issue Notes from time to time, and the proceeds of the Notes will be used for general corporate purposes, including working capital, capital expenditures, acquisitions and share repurchases. Maturities of the Notes vary but may not exceed 397 days from the date of issue. The Notes bear such interest rates, if

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE E Debt and Credit Agreements (Continued)

interest bearing, or will be sold at such discount from their face amounts, as agreed upon from time to time by the dealers under the Commercial Paper Program and Staples. The payments under the Commercial Paper Program are guaranteed by the Guarantor Subsidiaries. The Commercial Paper Program contains customary events of default with corresponding grace periods.

As of January 31, 2009, \$1.2 billion of Notes were outstanding under the Commercial Paper Program. The Notes have a weighted average remaining maturity of 16 days with a weighted average interest rate of 4.0%. Of the total Notes outstanding, \$729.5 million were backstopped by the Revolving Credit Facility and \$470.4 million were backstopped by the 2008 Agreement.

2008 Term Credit Facility: On July 1, 2008, Staples entered into a \$400.0 million credit facility (the "2008 Term Credit Facility") with Lehman Commercial Paper Inc., as administrative agent, Bank of America, N.A. and HSBC Bank USA, National Association, as co-syndication agents, and Lehman Brothers Inc., Banc of America Securities LLC and HSBC Securities (USA) Inc., as joint lead arrangers and joint bookrunners. On November 26, 2008, the Company repaid the entire remaining balance due and terminated this agreement. No further credit is available under this facility.

Other Financing Agreements

Revolving Credit Facility: On October 13, 2006, Staples entered into an Amended and Restated Revolving Credit Agreement (the "Revolving Credit Facility") with Bank of America, N.A. and other lending institutions. The Revolving Credit Facility amended and restated the Revolving Credit Agreement dated as of December 14, 2004, which provided for a maximum borrowing of \$750.0 million and was due to expire in December 2009.

The Revolving Credit Facility provides for a maximum borrowing of \$750.0 million which, upon approval of the lenders, Staples may increase to \$1.0 billion, and expires on October 13, 2011. Borrowings made pursuant to the Revolving Credit Facility may be syndicated loans, competitive bid loans, or swing line loans, the combined sum of which may not exceed the maximum borrowing amount. Amounts borrowed under the Revolving Credit Facility may be borrowed, repaid and reborrowed from time to time until October 13, 2011. The borrowings under this Revolving Credit Facility are guaranteed by the Guarantor Subsidiaries.

Borrowings made pursuant to the Revolving Credit Facility as syndicated loans will bear interest, payable quarterly or, if earlier, at the end of any interest period, at either (a) the base rate, described in the Revolving Credit Facility as the higher of the annual rate of the lead bank's prime rate or the federal funds rate plus 0.50%, or (b) the Eurocurrency rate (a publicly published rate) plus a percentage spread based on Staples' credit rating and fixed charge coverage ratio. Borrowings made as competitive bid loans bear the competitive bid rate as specified in the applicable competitive bid. Swing line loans bear interest that is the lesser of the base rate or the swing line rate as quoted by the administrative agent under the terms of the Revolving Credit Facility. Under the Revolving Credit Facility, Staples agrees to pay a facility fee, payable quarterly, at rates that range from 0.060% to 0.125% depending on the Company's credit rating and fixed charge coverage ratio, and when applicable, a utilization fee.

On May 5, 2008, Staples entered into the first amendment (the "Amendment") to the Revolving Credit Facility. The Amendment was entered into in connection with the acquisition of Corporate Express and provided certain post-acquisition cure periods to allow Staples to cure defaults that could arise (i) as a result of change in control provisions contained in Corporate Express' outstanding debt obligations and (ii) under Corporate Express' and Staples' outstanding debt obligations as a result of events or circumstances, such as litigation, liens or defaults, affecting Corporate Express. The Amendment did not alter the amount that may be borrowed under, or the terms of, the Revolving Credit Facility and confirmed Staples' obligations to the lenders and administrative agent who are parties thereto. At January 31, 2009, no borrowings were outstanding under the Revolving Credit Facility, \$20.5 million of open letters of credit were outstanding and \$729.5 million of backstopped commercial paper was issued, reducing the available credit under the Revolving Credit Facility from \$750.0 million to \$0.

September 2002 Notes: On September 30, 2002, Staples issued \$325.0 million principal amount of notes due October 1, 2012 (the "September 2002 Notes"), with a fixed interest rate of 7.375% payable semi-annually on April 1 and

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE E Debt and Credit Agreements (Continued)

October 1 of each year commencing on April 1, 2003. Staples has entered into an interest rate swap agreement to turn the September 2002 Notes into variable rate obligations (see Note F).

August 1997 Notes: On August 12, 1997, Staples issued \$200.0 million principal amount of notes (the "August 1997 Notes"), with a fixed interest rate of 7.125% payable semi-annually on February 15 and August 15 of each year. Staples entered into interest rate swap agreements to turn the August 1997 Notes into variable rate obligations (see Note F). The August 1997 Notes were due in August 2007. On August 15, 2007, the Company repaid the \$200.0 million August 1997 Notes and paid \$83.3 million to settle foreign currency swaps that matured on that date.

Securitization Programs: In connection with the acquisition of Corporate Express, the Company assumed the obligations under Corporate Express' U.S. Securitization Program and European Securitization Program (collectively the "Securitization Programs"). As of January 31, 2009, the Company was able to borrow a maximum of \$200.0 million and EUR \$75.0 million (approximately \$98.2 million based on exchange rates on that date) under the Securitization Programs. As of January 31, 2009, the utilized balance under the U.S. Securitization Program was \$180.4 million and the utilized balance under the European Securitization Program was EUR 33.5 million (approximately \$43.9 million). Borrowings outstanding under the Securitization Programs are included as a component of current liabilities in the Company's consolidated balance sheet, while the accounts receivable securing these obligations are included as a component of net receivables. On March 3, 2009, the Company terminated and repaid all outstanding balances under the Securitization Programs.

Australian Credit Facilities: Corporate Express Australia Limited and its subsidiaries, which are approximately 59% owned by Corporate Express, are parties to credit facilities under which approximately \$114.2 million are outstanding.

Staples had \$144.9 million available under other various lines of credit, which had an outstanding balance of \$0.8 million at January 31, 2009, with no letters of credit issued under the facilities.

There were no instances of default during 2008 under any of the Company's debt agreements.

Deferred Financing Fees

In connection with entering into the January 2009 Notes, the 2008 Agreement and the 2008 Term Credit Facility, the Company incurred financing fees of \$26.0 million, which are being amortized over the terms of the related debt instruments. Amortization of the financing fees are classified as interest expense. Deferred financing fees amortized to interest expense relating to these agreements for 2008 was \$13.5 million. Unamortized financing fees of \$1.6 million at January 31, 2009 were included in prepaid expenses and other current assets and unamortized fees of \$10.9 million were included in other assets.

NOTE F Derivative Instruments and Hedging Activities

Staples uses interest rate swaps to turn certain fixed rate debt into variable rate debt and certain variable rate debt into fixed rate debt and currency swaps to hedge a portion of the value of Staples' net investment in Canadian dollar denominated subsidiaries. These derivatives qualify for hedge accounting treatment as the derivatives have been highly effective in offsetting changes in fair value of the hedged items.

Interest Rate Swaps: During fiscal year 1999, Staples entered into interest rate swaps, for an aggregate notional amount of \$200.0 million, to turn Staples' fixed rate of the August 1997 Notes into a variable rate obligation. On October 23, 2001, Staples terminated these interest rate swaps which were originally scheduled to terminate on August 15, 2007. Upon termination of the swaps, Staples realized a gain of \$18.0 million, which was amortized over the remaining term of the underlying hedged debt instrument, as an adjustment to interest expense. Simultaneous with the termination of these interest rate swaps, Staples entered into another \$200.0 million of interest rate swaps whereby Staples was entitled to receive semi-annual interest payments at a fixed rate of 7.125% and was obligated to make semi-annual interest payments at a floating rate based on the LIBOR. These swap agreements were designated as fair value hedges of the August 1997 Notes and terminated on August 15, 2007. Upon the termination of these swap agreements, Staples settled accrued interest in the amount of \$0.1 million, which was included in interest expense.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE F Derivative Instruments and Hedging Activities (Continued)

On January 8, 2003, Staples entered into an interest rate swap, for an aggregate notional amount of \$325.0 million, designed to convert Staples' September 2002 Notes into a variable rate obligation. The swap agreement, scheduled to terminate on October 1, 2012, is designated as a fair value hedge of the September 2002 Notes. Under the interest rate swap agreement, Staples is entitled to receive semi-annual interest payments at a fixed rate of 7.375% and is required to make semi-annual interest payments at a floating rate equal to the 6 month LIBOR plus 3.088%. The interest rate swap agreement is being accounted for as a fair value hedge and the differential to be paid or received on the interest rate swap agreement is accrued and recognized as an adjustment to interest expense over the life of the agreements. At January 31, 2009, the interest rate swap agreement had a fair value gain of \$20.8 million, which was included in other assets. No amounts were included in the consolidated statement of income in 2008, 2007 or 2006 related to ineffectiveness associated with this fair value hedge.

In connection with Staples' acquisition of Corporate Express, the Company assumed interest rate swaps, for a notional amount of AUD \$103.0 million (approximately \$67.9 million, based on foreign exchange rates at January 31, 2009), designed to convert Corporate Express' variable rate credit facilities into fixed rate obligations. The swap agreements are scheduled to terminate in four stages: AUD \$30 million in July 2009, AUD \$8 million in January 2010, AUD \$40 million in July 2010 and AUD \$25 million in July 2011. The agreements are designated as a cash flow hedge. Under the terms of the agreements, the Company is required to make monthly interest payments at a weighted average interest rate of 6.8% and is entitled to receive monthly interest payments at a floating rate equal to the average bid rate for borrowings having a term closest to the relevant period displayed on the appropriate page of the Reuters screen (BBSY). The interest rate swaps are being accounted for as a cash flow hedge and the differential to be paid or received on the interest rate swap agreements is accrued and recognized as an adjustment to interest expense over the life of the agreements. At January 31, 2009, the interest rate swap agreement had a fair value loss of AUD \$5.4 million (approximately \$3.5 million), which was included in stockholders' equity as a component of accumulated other comprehensive income. No amounts were included in the consolidated statement of income in 2008, 2007 or 2006 related to ineffectiveness associated with this cash flow hedge.

Foreign Currency Swaps: During fiscal year 2000, Staples entered into a currency swap, for an aggregate notional amount of \$200.0 million. Staples, upon maturity of the agreement, was entitled to receive \$200.0 million and was obligated to pay 298 million in Canadian dollars. On November 16, 2006, Staples entered into a currency swap, for an aggregate notional amount of \$7.5 million. Staples, upon maturity of the agreement, was entitled to receive \$7.5 million and was obligated to pay 8.6 million in Canadian dollars. Staples was also entitled to receive quarterly interest payments on \$7.5 million at a fixed rate of 5.3725% and was obligated to make quarterly interest payments on 8.6 million Canadian dollars at a fixed rate of 4.315%. During 2007, Staples entered into currency swaps, for an aggregate notional amount of \$17.5 million. Staples, upon maturity of the agreements, was entitled to receive \$17.5 million and was obligated to pay 20.1 million in Canadian dollars. Staples was also entitled to receive quarterly interest payments on \$17.5 million and was obligated to make quarterly interest payments on 20.1 million Canadian dollars. On August 15, 2007, Staples paid \$83.3 million to settle all of these foreign currency swaps. These swaps were designated as a foreign currency hedge on Staples' net investment in Canadian dollar denominated subsidiaries and the loss was recorded as a cumulative translation adjustment in stockholders' equity.

On August 15, 2007, the Company entered into a \$300.0 million foreign currency swap that has been designated as a foreign currency hedge on Staples' net investment in Canadian dollar denominated subsidiaries. Staples, upon maturity of the agreement in October 2012, will be entitled to receive \$300.0 million and will be obligated to pay 316.2 million in Canadian dollars. Staples will also be entitled to receive quarterly interest payments on \$300.0 million at a fixed rate of 5.28% and will be obligated to make quarterly interest payments on 316.2 million Canadian dollars at a fixed rate of 5.17%. At January 31, 2009, the currency swap had an aggregate fair value gain of \$46.6 million, which was included in other assets. No amounts were included in the consolidated statement of income in 2008, 2007 or 2006 related to ineffectiveness associated with this net investment hedge.

During 2008, 2007 and 2006, foreign currency gains, net of taxes of \$32.9 million, \$24.6 million and \$5.6 million, respectively, were recorded in accumulated other comprehensive income.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE G Commitments and Contingencies

Staples leases certain retail and support facilities under long-term non-cancelable lease agreements. Most lease agreements contain renewal options and rent escalation clauses and, in some cases, allow termination within a certain number of years with notice and a fixed payment. Certain agreements provide for contingent rental payments based on sales.

Other long-term obligations at January 31, 2009 include \$135.0 million relating to future rent escalation clauses and lease incentives under certain existing store operating lease arrangements. These rent obligations are recognized on a straight-line basis over the respective terms of the leases. Future minimum lease commitments due for retail and support facilities (including lease commitments for 74 retail stores not yet opened at January 31, 2009) and equipment leases under non-cancelable operating leases are as follows (in thousands):

<u>Fiscal Year:</u>	<u>Total</u>
2009	\$ 851,412
2010	803,071
2011	731,808
2012	645,215
2013	556,031
Thereafter	2,132,053
	<u>\$5,719,590</u>

Future minimum lease commitments do not include \$47.6 million of minimum rentals due under non-cancelable subleases.

Rent expense was approximately \$744.6 million, \$646.2 million and \$612.8 million for 2008, 2007 and 2006, respectively.

As of January 31, 2009, Staples had purchase obligations of \$545.8 million. Many of the Company's purchase commitments may be canceled by the Company without advance notice or payment, and the Company has excluded such commitments, along with intercompany commitments from the following schedule. Contracts that may be terminated by the Company without cause or penalty, but that require advance notice for termination are valued on the basis of an estimate of what the Company would owe under the contract upon providing notice of termination. Such purchase obligations will arise as follows (in thousands):

<u>Fiscal Year:</u>	<u>Total</u>
2009	\$419,952
2010 through 2011	57,781
2012 through 2013	27,893
Thereafter	40,164
	<u>\$545,790</u>

Letters of credit are issued by Staples during the ordinary course of business through major financial institutions as required by certain vendor contracts. As of January 31, 2009, Staples had open standby letters of credit totaling \$60.0 million and open trade letters of credit totaling \$120.3 million.

Various class action lawsuits were brought against the Company for alleged violations of what is known as California's "wage and hour" law. The plaintiffs alleged that the Company improperly classified store managers as exempt under the California wage and hour law, making such managers ineligible for overtime wages. In December 2006, the Company settled one class action lawsuit relating to the misclassification of store general managers for \$3.9 million. In November 2007, the Company settled the remaining class action lawsuit relating to the misclassification of assistant store managers, recording a charge of \$38.0 million, including interest and class counsel's attorney's fees. These charges are included in selling, general and administrative expenses.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE G Commitments and Contingencies (Continued)

The Company is the subject of several class action lawsuits filed in various states, where the plaintiffs allege the Company failed to comply with federal and state overtime laws and that it failed to pay them overtime. The Company intends to vigorously defend the cases. The complaints generally seek unspecified monetary damages. At this time, the Company cannot reasonably estimate the possible loss or range of loss that may arise from these lawsuits.

In 1991, Corporate Express acquired a French company, Agena S.A. Corporate Express issued arbitration proceedings against the sellers of the Company for misrepresentation of the financial position of the company in the acquisition balance sheet. Corporate Express was awarded EUR 79 million for this claim in 2003. In connection with the Agena acquisition, Corporate Express also initiated legal proceedings against Béfec (a predecessor of PricewaterhouseCoopers, France), the accountants who certified the acquisition balance sheet. The claim itself and the amount of damages are being judged in proceedings before the Commercial Court. These proceedings are expected to continue throughout 2009. Corporate Express is claiming damages totaling EUR 134 million plus interest and fees. No amounts have been accrued in the financial statements for this claim, as its outcome is currently uncertain.

In addition, the Company is involved from time to time in litigation arising from the operation of its business that is considered routine and incidental to its business; however, the Company does not expect the results of any of these actions to have a material adverse effect on its business, results of operations, or financial condition.

NOTE H Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The approximate tax effect of the significant components of Staples' deferred tax assets and liabilities are as follows (in thousands):

	January 31, 2009	February 2, 2008
Deferred tax assets:		
Deferred rent	\$ 52,604	\$ 45,790
Foreign tax credit carryforwards	136,747	71,016
Net operating loss carryforwards	547,732	88,091
Capital loss carryforwards	22,505	8,803
Employee benefits	110,565	106,030
Merger related charges	72,983	8,955
Inventory	46,962	38,220
Unrealized loss on hedge instruments	—	4,237
Deferred revenue	30,333	25,332
Depreciation	40,946	47,236
Other—net	80,456	57,529
Total deferred tax assets	1,141,833	501,239
Total valuation allowance	(539,592)	(97,290)
Net deferred tax assets	\$ 602,241	\$ 403,949
Deferred tax liabilities:		
Intangibles	\$ (268,101)	\$ (90,071)
Unrealized gain on hedge instruments	(19,581)	—
Other—net	(1,994)	(807)
Total deferred tax liabilities	(289,676)	(90,878)
Net deferred tax assets	\$ 312,565	\$ 313,071

The deferred tax asset from tax loss carryforwards of \$547.7 million represents approximately \$2.16 billion of net operating loss carryforwards, \$1.20 billion of which are subject to expiration beginning in 2009. The remainder has an indefinite carryforward period. The valuation allowance increased by \$442.3 million during 2008, due primarily to the

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE H Income Taxes (Continued)

uncertainty of benefiting deferred tax assets associated with net operating losses and capital allowances resulting from the acquisition of Corporate Express.

For financial reporting purposes, income before income taxes includes the following components (in thousands):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Pretax income:			
United States	\$ 923,398	\$1,100,064	\$1,173,804
Foreign	319,686	454,418	297,524
	<u>\$1,243,084</u>	<u>\$1,554,482</u>	<u>\$1,471,328</u>

The provision for income taxes consists of the following (in thousands):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current tax expense:			
Federal	\$307,034	\$431,006	\$ 516,520
State	28,226	44,567	22,638
Foreign	60,233	100,635	86,870
Deferred tax (benefit) expense:			
Federal	15,181	(31,504)	(101,984)
State	2,002	(1,178)	(11,996)
Foreign	16,187	16,088	(14,076)
Total income tax expense	<u>\$428,863</u>	<u>\$559,614</u>	<u>\$ 497,972</u>

A reconciliation of the federal statutory tax rate to Staples' effective tax rate on historical net income is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Federal statutory rate	35.0%	35.0%	35.0%
State effective rate, net of federal benefit	2.5	2.9	1.9
Effect of foreign taxes	(2.9)	(2.7)	(1.2)
Tax credits	(0.4)	(0.2)	(0.6)
Resolution of tax matters	0.0	0.0	(2.2)
Other	0.3	1.0	0.9
Effective tax rate	<u>34.5%</u>	<u>36.0%</u>	<u>33.8%</u>

The effective tax rate in any year is impacted by the geographic mix of earnings.

The tax impact of the unrealized gain or loss on instruments designated as hedges of net investments in foreign subsidiaries is reported in accumulated other comprehensive income in stockholders' equity.

The Company operates in multiple jurisdictions and could be subject to audit in these jurisdictions. These audits can involve complex issues that may require an extended period of time to resolve and may cover multiple years. In the Company's opinion, an adequate provision for income taxes has been made for all years subject to audit.

Income tax payments were \$470.4 million, \$479.5 million and \$595.7 million during 2008, 2007 and 2006, respectively.

Income taxes have not been provided on certain undistributed earnings of foreign subsidiaries of approximately \$1.24 billion, net of the minority interest, because such earnings are considered to be indefinitely reinvested in the business. The determination of the amount of the unrecognized deferred tax liability related to the undistributed earnings is not practicable because of the complexities associated with its hypothetical calculation.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE I Equity Based Employee Benefit Plans

In connection with certain equity based employee benefit plans, Staples included approximately \$180.7 million, \$173.3 million and \$168.7 million in compensation expense for 2008, 2007 and 2006, respectively. As of January 31, 2009, Staples had \$244.6 million of nonqualified stock options and Restricted Shares to be expensed over the period through January 2013.

During the third quarter of 2006, the Company and the Audit Committee of the Company's Board of Directors, assisted by outside counsel, conducted a review of its historical stock option granting practices during the period from 1997 to 2006. Based on the results of the review, the Company recorded a \$10.8 million expense (\$8.6 million, net of taxes) during the third quarter of 2006 to reflect the cumulative impact of accounting errors due to the use of incorrect measurement dates, without restating any historical financial statements. The amount of this correction in any single year would have been no more than 0.6% of operating income for that year. This charge increased cost of goods sold and occupancy costs by \$0.3 million, selling, general and administrative expenses by \$10.5 million and reduced income tax expense by \$2.2 million, resulting in an \$8.6 million reduction in net income for 2006. The Company has concluded that the use of incorrect measurement dates was not the result of intentional wrongdoing and has taken steps to improve the controls over its option granting processes.

Employee Stock Purchase Plans

The Amended and Restated 1998 Employee Stock Purchase Plan authorizes a total of up to approximately 15.8 million shares of common stock to be sold to participating employees and the Amended and Restated International Employee Stock Purchase Plan authorizes a total of up to approximately 1.3 million shares of common stock to be sold to participating employees of non-U.S. subsidiaries of the Company. Under both plans, participating employees may purchase shares of common stock at 85% of its fair market value at the beginning or end of an offering period, whichever is lower, through payroll deductions in an amount not to exceed 10% of an employee's annual base compensation.

Stock Award Plans

The Amended and Restated 2004 Stock Incentive Plan (the "2004 Plan") was implemented in July 2004 and replaced the amended and restated 1992 Equity Incentive Plan (the "1992 Plan") and the amended and restated 1990 Director Stock Option Plan (the "1990 Plan"). Unexercised options under both the 1992 Plan and the 1990 Plan remain outstanding. Under the 2004 Plan, Staples may issue up to 77.4 million shares of common stock to management and employees using various forms of awards, including nonqualified options and restricted stock and restricted stock units (collectively, "Restricted Shares") to associates, subject to certain restrictions. Except as disclosed above, options outstanding under these plans have an exercise price equal to the fair market value of the common stock on the date of grant. Options outstanding are exercisable at various percentages of the total shares subject to the option starting one year after the grant. All options expire ten years after the grant date, subject to earlier termination in the event of employment termination.

Stock Options

Information with respect to stock options granted under the above plans is as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value (in thousands)
Outstanding at February 2, 2008	51,374,926	\$ 17.90	
Granted	5,607,922	23.90	
Exercised	(8,235,259)	15.89	
Canceled	(1,498,848)	21.41	
Outstanding at January 31, 2009	47,248,741	\$ 18.86	\$ (137,740)
Exercisable at January 31, 2009	33,200,787	\$ 16.87	\$ (30,995)

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE I Equity Based Employee Benefit Plans (Continued)

The weighted-average fair values of options and employee stock purchase plan shares granted during 2008, 2007 and 2006 were \$6.16, \$6.92 and \$7.12, respectively.

The following table summarizes information concerning currently outstanding and exercisable options for common stock:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 0.00 - \$ 9.00	361,666	1.49	\$ 7.23	361,666	\$ 7.23
\$ 9.001 - \$10.00	3,300,097	2.13	9.76	3,300,097	9.76
\$ 10.001 - \$11.00	3,699,010	3.03	10.52	3,699,010	10.52
\$ 11.001 - \$13.00	5,463,726	4.02	12.49	5,463,726	12.49
\$ 13.001 - \$14.00	845,783	3.17	13.33	845,783	13.33
\$ 14.001 - \$19.00	990,289	5.30	17.38	742,701	17.27
\$ 19.001 - \$20.00	7,088,592	5.24	19.15	7,076,410	19.15
\$ 20.001 - \$21.00	1,944,670	1.98	20.70	1,871,191	20.70
\$ 21.001 - \$22.00	9,257,962	6.45	21.32	6,388,698	21.32
\$ 22.001 - \$25.00	14,129,186	8.44	24.26	3,387,611	24.22
\$ 25.001 - \$28.00	167,760	7.95	26.64	63,894	26.77
\$ 0.00 - \$28.00	47,248,741	5.71	\$ 18.86	33,200,787	\$ 16.87

The number of exercisable shares was 33.2 million at January 31, 2009, 34.0 million at February 2, 2008 and 35.2 million at February 3, 2007.

For options granted prior to May 1, 2005, the fair value for these options was estimated at the date of grant using a Black-Scholes option-pricing model. For stock options granted on or after May 1, 2005, the fair value of each award is estimated on the date of grant using a binomial valuation model. The binomial model considers characteristics of fair value option pricing that are not available under the Black-Scholes model. Similar to the Black-Scholes model, the binomial model takes into account variables such as volatility, dividend yield rate, and risk free interest rate. However, in addition, the binomial model considers the contractual term of the option, the probability that the option will be exercised prior to the end of its contractual life, and the probability of termination or retirement of the option holder in computing the value of the option. For these reasons, the Company believes that the binomial model provides a fair value that is more representative of actual experience and future expected experience than that value calculated using the Black-Scholes model.

The fair value of options granted in each year was estimated at the date of grant using the following weighted average assumptions:

	2008	2007	2006
Risk free interest rate	3.2%	4.7%	5.0%
Expected dividend yield	1.0%	0.9%	0.8%
Expected stock volatility	30%	29%	31%
Expected life of options	5.3 years	5.3 years	5.1 years

The expected stock volatility factor was calculated using an average of historical and implied volatility measures to reflect the different periods in the Company's history that would impact the value of the stock options granted to employees. The fair value of stock options is expensed over the applicable vesting period using the straight line method.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE I Equity Based Employee Benefit Plans (Continued)

Restricted Stock and Restricted Stock Units ("Restricted Shares")

In 2003, the Company began granting Restricted Shares in lieu of special grants of stock options. Beginning in fiscal 2006, the Company began issuing Restricted Shares to employees and directors as part of its regular equity compensation program. All shares underlying awards of Restricted Shares are restricted in that they are not transferable (i.e., they may not be sold) until they vest. Subject to limited exceptions, if the employees who received the Restricted Shares leave Staples prior to the vesting date for any reason, the Restricted Shares will be forfeited and returned to Staples. The following table summarizes the Company's grants of Restricted Shares in 2008:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding at February 2, 2008	9,857,269	\$ 24.61
Granted	6,240,370	23.90
Released	(2,707,035)	24.25
Canceled	(999,662)	24.43
Outstanding at January 31, 2009	<u>12,390,942</u>	<u>\$ 24.34</u>

Prior to fiscal year 2006, Staples issued performance accelerated restricted stock ("PARS") to employees of Staples. The shares were restricted in that they were not transferable (i.e., they may not be sold) by the employee until they vested, generally after the end of five years. Such vesting date was subject to acceleration if Staples achieved certain compound annual earnings per share growth over a certain number of interim years. No PARS were outstanding as of January 31, 2009. PARS issued in fiscal year 2005 had a weighted-average fair market value of \$21.72 and vested in March 2007 as a result of Staples achieving its earnings per share growth target for the fiscal year ended February 3, 2007.

Performance Shares

In fiscal 2006, the Company began issuing performance shares. Performance shares are restricted stock awards that vest only if the Company meets minimum performance targets. For the 2008 performance share awards, the performance target was established based on cumulative three year earnings per share. For the 2007 and 2006 performance share awards, the performance targets have been established based on cumulative returns on net assets over a three year period. If, at the end of each three year period, the Company's performance falls between minimum and maximum targets, then a percentage of the performance shares from 90% up to 200%, will vest. If the Company does not achieve the minimum performance target, none of the performance share awards will vest. The 2006 performance shares did not vest as the minimum performance target was not met.

The fair value of performance shares is based upon the market price of the underlying common stock as of the date of grant. As of January 31, 2009, Staples had 762,954 performance shares outstanding, which were issued during 2008 and 2007. The shares have a weighted-average fair market value of \$23.68.

Employees' 401(k) Savings Plan

Staples' Employees' 401(k) Savings Plan (the "401(k) Plan") is available to all United States based employees of Staples who meet minimum age and length of service requirements. Company contributions are based upon a matching formula applied to employee contributions that are made in the form of Company common stock and vest ratably over a five year period. Beginning in 2009, such contributions will be made in cash rather than in Company common stock. The Supplemental Executive Retirement Plan (the "SERP Plan"), which is similar in many respects to the 401(k) Plan, is available to certain Company executives and other highly compensated employees, whose contributions to the 401(k) Plan are limited, and allows such individuals to supplement their contributions to the 401(k) Plan by making pre-tax contributions to the SERP Plan. Company contributions to the SERP Plan are based on a similar matching formula and vesting period; however, beginning in October 2004, such contributions were made in cash rather than in Company common stock.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE I Equity Based Employee Benefit Plans (Continued)

At January 31, 2009, 57.3 million shares of common stock were reserved for issuance under Staples' 2004 Plan, 401(k) Plan and employee stock purchase plans.

NOTE J Pension Plans

In connection with the acquisition of Corporate Express in July 2008, Staples assumed the obligations under the pension plans Corporate Express sponsored. The pension plans cover most employees in Europe and certain employees in the United States. The benefits due to U.S. plan participants are frozen. A number of the defined benefit plans outside the U.S. are funded with plan assets that have been segregated in trusts. Contributions are made to these trusts, as necessary, to meet legal and other requirements. Prior to the acquisition of Corporate Express, the Company sponsored no defined benefit plans.

The following table presents a summary of the total projected benefit obligation for the defined benefit plans, the fair value of plan assets and the associated funded status recorded in the Consolidated Balance Sheet at January 31, 2009 (in thousands):

	Projected Benefit Obligations	Fair Value of Plan Assets	Funded Status
Overfunded Plans			
International Plans	\$ (714,523)	\$ 766,957	\$ 52,434
Total Overfunded Plans	(714,523)	766,957	52,434
Underfunded Plans			
U.S. Plans	(27,895)	21,532	(6,363)
International Plans	(62,673)	33,773	(28,900)
Total Underfunded Plans	\$ (90,568)	\$ 55,305	\$ (35,263)

The following table presents a summary of the total net periodic cost recorded in the Consolidated Statement of Income, subsequent to the acquisition in 2008 related to each of the plans (in thousands):

	U.S. Plans	International Plans	Total
Service cost	\$ —	\$ 6,259	\$ 6,259
Interest cost	849	27,063	27,912
Expected return on plan assets	(1,029)	(44,083)	(45,112)
Net periodic pension income	\$ (180)	\$ (10,761)	\$(10,941)

The following table presents the changes in benefit obligations and plan assets for each of the defined benefit pension plans since the acquisition in 2008 (in thousands):

	U.S. Plans	International Plans	Total
Change in benefit obligation:			
Benefit obligation at acquisition date	\$ 27,734	\$ 949,173	\$ 976,907
Service cost	—	6,259	6,259
Interest cost	849	27,063	27,912
Plan participants' contributions	—	275	275
Actuarial (gains) losses	(18)	(5,115)	(5,133)
Benefits paid	(670)	(31,790)	(32,460)
Currency translation adjustments	—	(168,669)	(168,669)
Projected benefit obligation at January 31, 2009	\$ 27,895	\$ 777,196	\$ 805,091
Accumulated benefit obligation at January 31, 2009	\$ 28,107	\$ 741,131	\$ 769,238

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE J Pension Plans (Continued)

	U.S. Plans	International Plans	Total
Change in fair value of plan assets:			
Fair value of plan assets at acquisition date	\$ 25,567	\$ 1,212,911	\$ 1,238,478
Actual return on plan assets	(3,839)	(184,886)	(188,725)
Employer's contributions	474	5,205	5,679
Plan participants' contributions	—	275	275
Benefits paid	(670)	(31,790)	(32,460)
Currency translation adjustments	—	(200,985)	(200,985)
Fair value of plan assets at January 31, 2009	\$ 21,532	\$ 800,730	\$ 822,262
Funded status at January 31, 2009	\$ (6,363)	\$ 23,534	\$ 17,171

Amounts recognized in the Consolidated Balance Sheet at January 31, 2009 consist of the following (in thousands):

	U.S. Plans	International Plans	Total
Prepaid benefit cost (included in other assets)	\$ —	\$ 52,434	\$ 52,434
Accrued benefit liability (included in other long-term obligations)	(6,363)	(28,900)	(35,263)
Accumulated other comprehensive loss	(2,637)	(181,919)	(184,556)
Net amount recognized	\$ (9,000)	\$ (158,385)	\$ (167,385)

Amounts recognized in accumulated other comprehensive loss that have not yet been recognized as components of net periodic pension costs at January 31, 2009 are comprised exclusively of actuarial losses.

The amount of accumulated other comprehensive loss expected to be recognized as a component of net periodic pension cost during 2009 is \$9.5 million.

There were no significant amendments to any of the Company's defined benefit pension plans during the post acquisition period in 2008 that would have a material effect on the Consolidated Statement of Income for fiscal 2008.

Assumptions Used to Determine Plan Financial Information

The valuation of benefit obligations and net periodic pension cost uses participant-specific information such as salary, age and years of service, as well as certain assumptions, the most significant of which include estimates of discount rates, expected return on plan assets, rate of compensation increases, interest rates and mortality rates. The Company established these assumptions for 2008 and will evaluate these assumptions, at least annually, and make changes as necessary.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE J Pension Plans (Continued)

The following table presents the assumptions used to measure the net periodic cost and the year-end benefit obligations for the defined benefit pension plans for the post acquisition period in 2008:

	U.S. Plans	International Plans
Weighted-average assumptions used to measure net periodic pension cost for the post acquisition period in 2008:		
Discount rate	6.1%	5.4%
Expected return on plan assets	7.0%	6.5%
Rate of compensation increase	—	3.2%
Weighted-average assumptions used to measure benefit obligations at January 31, 2009		
Discount rate	6.8%	5.8%
Rate of compensation increase	—	3.0%
Rate of pension increase	—	2.0%

The discount rate used is the interest rate on high quality (AA rated) corporate bonds that have a maturity approximating the term of the related obligations. In estimating the expected return on plan assets, appropriate consideration is taken into account of the historical performance for the major asset classes held, or anticipated to be held, by the applicable pension funds and of current forecasts of future rates of return for those asset classes.

The following table shows the effect on pension obligations at January 31, 2009 of a change in discount rate and other assumptions (in thousands):

	Change in Discount Rate		
	(.25%)	No change	.25%
Change in rate of compensation increase			
(.25%)	\$ 22,266	\$ (499)	\$ (21,065)
No change	22,743	—	(20,536)
.25%	23,444	522	(20,177)
Change in rate of pension increase			
(.25%)	\$ 3,984	\$ (17,110)	\$ (36,254)
No change	22,743	—	(20,536)
.25%	42,600	17,594	(4,304)

The Company's defined benefit pension plans' asset allocations at January 31, 2009 and target allocation for 2009, by asset category is as follows:

	U.S. Plans	International Plans	Total
Asset allocation at January 31, 2009:			
Equity securities	30%	26%	26%
Debt securities	70%	59%	60%
Real estate	—	9%	9%
Other	—	6%	5%
Total	100%	100%	100%
Target allocation for fiscal 2009:			
Equity securities	35%	31%	31%
Debt securities	65%	53%	54%
Real estate	—	10%	9%
Other	—	6%	6%
Total	100%	100%	100%

No plan assets are expected to be returned to the Company during 2009.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE J Pension Plans (Continued)

The intent of the pension trust's investment policies is to maximize return on plan assets in the long-term while keeping contributions stable. In order to achieve this stability, a sufficient funding level is maintained. Investments in debt securities are primarily made when they bear a fixed rate of interest. A portion of the currency risk related to investments in equity securities, real estate and debt securities are hedged.

Expected Benefit Payments and Contributions

The following table presents the expected benefit payments to defined benefit pension plan participants for the next five years, and the aggregate for the following five years (in thousands):

	U.S. Plans	International Plans	Total
2009	\$ 1,201	\$ 47,829	\$ 49,030
2010	1,329	48,703	50,032
2011	1,354	49,754	51,108
2012	1,536	50,783	52,319
2013	1,618	50,275	51,893
2014-2018	9,954	257,923	267,877

These payments have been estimated based on the same assumptions used to measure the plans' projected benefit obligation at January 31, 2009 and include benefits attributable to estimated future compensation increases.

The 2009 expected benefit payments to defined benefit pension plan participants not covered by the respective plan assets (that is, underfunded plans) represent a component of other long-term obligations in the Consolidated Balance Sheet.

The following table presents, based on current assumptions, the Company's expected contributions for the next five years, and the aggregate for the following five years (in thousands):

	U.S. Plans	International Plans	Total
2009	\$ 1,095	\$ 7,082	\$ 8,177
2010	1,580	7,262	8,842
2011	1,957	7,463	9,420
2012	2,301	7,514	9,815
2013	2,594	7,709	10,303
2014-2018	8,016	42,279	50,295

NOTE K Stockholders' Equity

In 2008, the Company repurchased 2.8 million shares of the Company's common stock for a total purchase price (including commissions) of \$65.0 million under the Company's 2005 and 2007 share repurchase programs. In 2007, the Company repurchased 31.6 million shares of the Company's common stock for a total purchase price (including commissions) of \$750.0 million under the Company's 2005 and 2007 share repurchase programs. In 2006, the Company repurchased 30.3 million shares of the Company's common stock for a total purchase price (including commissions) of \$749.9 million under the 2005 repurchase program. The 2007 share repurchase program replaced the 2005 \$1.5 billion share repurchase program and went into effect during the second quarter of 2007. The 2007 share repurchase program allows for the repurchase of \$1.5 billion of Staples common stock and has no expiration date. Beginning in the first quarter of 2008, the Company suspended the 2007 share repurchase program as a result of the acquisition of Corporate Express. The Company has \$1.01 billion authorization remaining under the 2007 share repurchase program.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE L Computation of Earnings per Common Share

Earnings per share has been presented below for Staples common stock for 2008, 2007 and 2006 (amounts in thousands, except per share data):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Numerator:			
Net income	\$ 805,264	\$ 995,670	\$ 973,677
Denominator:			
Weighted-average common shares outstanding	698,410	704,828	720,528
Effect of dilutive securities:			
Employee stock options and restricted shares	13,117	15,374	19,150
Weighted-average shares assuming dilution	<u>711,527</u>	<u>720,202</u>	<u>739,678</u>
Basic earnings per common share	<u>\$ 1.15</u>	<u>\$ 1.41</u>	<u>\$ 1.35</u>
Diluted earnings per common share	<u>\$ 1.13</u>	<u>\$ 1.38</u>	<u>\$ 1.32</u>

Options to purchase shares of common stock are excluded from the calculation of diluted earnings per share when their inclusion would have an anti-dilutive effect on the calculation. Options to purchase 33.2 million shares, 9.8 million shares and 0.1 million shares of Staples common stock were excluded from the calculation of diluted earnings per share for 2008, 2007 and 2006, respectively.

For purposes of calculating diluted earnings per common share, net income was not adjusted for the difference between Corporate Express Australia Limited reported diluted and basic earnings per share multiplied by the number of shares of Corporate Express Australia Limited held by Staples, as the impact on earnings per share is not material.

NOTE M Segment Reporting

Staples has three reportable segments: North American Delivery, North American Retail and International Operations. Staples' North American Delivery segment consists of the U.S. and Canadian business units that sell and deliver office products and services directly to customers, and includes Contract (including Corporate Express), Staples Business Delivery and Quill. The North American Retail segment consists of the U.S. and Canadian business units that operate office products stores. The International Operations segment consists of business units (including Corporate Express) that operate office products stores and that sell and deliver office products and services directly to customers and businesses in 25 countries in Europe, Asia, Australia and South America.

In connection with the acquisition of Corporate Express, Staples allocated assets of \$3.33 billion, \$3.37 billion and \$283.8 million to the North American Delivery, International Operations and North American Retail segments, respectively. Included in total assets at January 31, 2009, were goodwill and intangible assets totaling \$3.38 billion, of which \$1.63 billion, \$1.47 billion and \$283.8 million were allocated to the North American Delivery, International Operations and North American Retail segments, respectively.

Staples evaluates performance and allocates resources based on profit or loss from operations before integration and restructuring costs, stock-based compensation, interest and other expense, non-recurring items and the impact of changes in accounting principles ("business unit income"). The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in Note A. Intersegment sales and transfers are recorded at Staples' cost; therefore, there is no intercompany profit or loss recognized on these transactions.

Staples' North American Delivery and North American Retail segments are managed separately because the way they market products is different, the classes of customers they service may be different, and the distribution methods used to deliver products to customers is different. The International Operations are considered a separate reportable segment because of the significant differences in the operating environment from the North American operations.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE M Segment Reporting (Continued)

The following is a summary of significant accounts and balances by reportable segment for 2008, 2007 and 2006 (in thousands):

	2008	2007	2006
Sales:			
North American Delivery	\$ 8,929,924	\$ 6,614,202	\$ 5,908,872
North American Retail	9,489,510	10,020,941	9,893,107
International Operations	4,664,341	2,737,539	2,358,810
Total segment sales	<u>\$23,083,775</u>	<u>\$19,372,682</u>	<u>\$18,160,789</u>
Business Unit Income:			
North American Delivery	\$ 802,523	\$ 712,558	\$ 623,908
North American Retail	769,695	949,038	957,386
International Operations	153,886	97,996	50,511
Business unit income	1,726,104	1,759,592	1,631,805
Stock-based compensation	(180,652)	(173,343)	(157,907)
Total segment income	<u>\$ 1,545,452</u>	<u>\$ 1,586,249</u>	<u>\$ 1,473,898</u>
Depreciation & Amortization:			
North American Delivery	\$ 155,496	\$ 83,996	\$ 74,027
North American Retail	259,328	248,329	210,698
International Operations	134,087	56,570	54,574
Consolidated	<u>\$ 548,911</u>	<u>\$ 388,895</u>	<u>\$ 339,299</u>
Capital Expenditures:			
North American Delivery	\$ 90,694	\$ 106,962	\$ 141,957
North American Retail	183,275	274,054	319,793
International Operations	104,360	89,361	66,725
Consolidated	<u>\$ 378,329</u>	<u>\$ 470,377</u>	<u>\$ 528,475</u>

The following is a reconciliation of total segment income to income before income taxes and minority interest for 2008, 2007 and 2006 (in thousands):

	2008	2007	2006
Total segment income	\$1,545,452	\$1,586,249	\$1,473,898
Integration and restructuring costs	(173,524)	—	—
Impact of wage and hour settlement	—	(38,000)	—
Impact of correction of prior years' stock-based compensation	—	—	(10,829)
Other (expense) income	(128,844)	6,233	8,259
Income before income taxes and minority interest	<u>\$1,243,084</u>	<u>\$1,554,482</u>	<u>\$1,471,328</u>

	January 31, 2009	February 2, 2008	February 3, 2007
Assets:			
North American Delivery	\$ 5,124,770	\$ 2,521,384	\$ 2,191,130
North American Retail	2,876,989	3,554,465	3,693,771
International Operations	5,020,434	2,973,099	2,510,596
Total	13,022,193	9,048,948	8,395,497
Elimination of net intercompany receivables	(16,215)	(12,604)	1,768
Total consolidated assets	<u>\$ 13,005,978</u>	<u>\$ 9,036,344</u>	<u>\$ 8,397,265</u>

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE M Segment Reporting (Continued)

Geographic Information:

	2008	2007	2006
Sales:			
United States	\$15,787,335	\$14,160,733	\$13,514,677
Canada	2,632,099	2,474,410	2,287,302
International	4,664,341	2,737,539	2,358,810
Consolidated	<u>\$23,083,775</u>	<u>\$19,372,682</u>	<u>\$18,160,789</u>

	January 31, 2009	February 2, 2008	February 3, 2007
Long-lived Assets:			
United States	\$ 3,633,345	\$ 2,002,548	\$ 1,857,093
Canada	256,640	311,723	271,660
International	2,909,659	1,874,505	1,566,443
Consolidated	<u>\$ 6,799,644</u>	<u>\$ 4,188,776</u>	<u>\$ 3,695,196</u>

NOTE N Guarantor Subsidiaries

Under the terms of the Company's September 2002 Notes, the Revolving Credit Facility, the 2008 Agreement, the Commercial Paper Program and the January 2009 Notes, the Guarantor Subsidiaries guarantee repayment of the debt. The debt is fully and unconditionally guaranteed on an unsecured, joint and several basis by the Guarantor Subsidiaries. The term of guarantees is equivalent to the term of the related debt. The following condensed consolidating financial data is presented for the holders of this debt and illustrates the composition of Staples, Inc. (the "Parent Company"), Guarantor Subsidiaries, and non-guarantor subsidiaries as of January 31, 2009 and February 2, 2008 and for the years ended January 31, 2009, February 2, 2008 and February 3, 2007. The non-guarantor subsidiaries represent more than an inconsequential portion of the consolidated assets and revenues of Staples.

Investments in subsidiaries are accounted for by the Parent Company on the equity method for purposes of the supplemental consolidating presentation. Earnings of subsidiaries are, therefore, reflected in the Parent Company's investment accounts and earnings. The principal elimination entries eliminate the Parent Company's investment in subsidiaries and intercompany balances and transactions.

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE N Guarantor Subsidiaries (Continued)

Condensed Consolidating Balance Sheet
As of January 31, 2009
(in thousands)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ 74,255	\$ 45,083	\$ 514,436	\$ —	\$ 633,774
Short-term investments	—	—	—	—	—
Merchandise inventories, net	—	1,148,047	1,256,163	—	2,404,210
Other current assets	94,681	718,204	1,879,312	—	2,692,197
Total current assets	168,936	1,911,334	3,649,911	—	5,730,181
Net property, equipment and other assets	754,486	1,270,406	1,470,736	—	3,495,628
Goodwill	1,346,093	390,361	2,043,715	—	3,780,169
Investment in affiliates and intercompany, net	614,693	3,298,704	3,783,962	(7,697,359)	—
Total assets	\$2,884,208	\$6,870,805	\$10,948,324	\$(7,697,359)	\$13,005,978
Total current liabilities	\$1,510,628	\$1,046,703	\$ 2,221,146	\$ —	\$ 4,778,477
Total long-term liabilities	1,640,609	469,365	495,096	—	2,605,070
Minority interest	—	—	58,224	—	58,224
Total stockholders' equity	(267,029)	5,354,737	8,173,858	(7,697,359)	5,564,207
Total liabilities and stockholders' equity	\$2,884,208	\$6,870,805	\$10,948,324	\$(7,697,359)	\$13,005,978

Condensed Consolidating Balance Sheet
As of February 2, 2008
(in thousands)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ 638,543	\$ 42,612	\$ 564,293	\$ —	\$ 1,245,448
Short-term investments	27,016	—	—	—	27,016
Merchandise inventories, net	—	1,271,978	781,185	—	2,053,163
Other current assets	38,343	632,238	559,174	—	1,229,755
Total current assets	703,902	1,946,828	1,904,652	—	4,555,382
Net property, equipment and other assets	354,949	1,326,736	1,034,349	—	2,716,034
Goodwill	296,511	154,527	1,313,890	—	1,764,928
Investment in affiliates and intercompany, net	(1,055,173)	3,069,532	3,070,975	(5,085,334)	—
Total assets	\$ 300,189	\$6,497,623	\$7,323,866	\$(5,085,334)	\$9,036,344
Total current liabilities	\$ 340,421	\$1,150,712	\$1,118,765	\$ —	\$2,609,898
Total long-term liabilities	128,300	472,554	97,358	—	698,212
Minority interest	—	—	10,227	—	10,227
Total stockholders' equity	(168,532)	4,874,357	6,097,516	(5,085,334)	5,718,007
Total liabilities and stockholders' equity	\$ 300,189	\$6,497,623	\$7,323,866	\$(5,085,334)	\$9,036,344

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE N Guarantor Subsidiaries (Continued)

Condensed Consolidating Statement of Income
For the year ended January 31, 2009
(in thousands)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Sales	\$ —	\$ 12,273,563	\$ 10,810,212	\$ 23,083,775
Cost of goods sold and occupancy costs	14,126	8,981,573	7,841,140	16,836,839
Gross profit	(14,126)	3,291,990	2,969,072	6,246,936
Operating and other expenses	74,322	2,595,654	2,333,876	5,003,852
Income before income taxes and minority interest	(88,448)	696,336	635,196	1,243,084
Income tax expense	—	309,465	119,398	428,863
Income before minority interest	(88,448)	386,871	515,798	814,221
Minority interest	—	—	8,957	8,957
Net income	\$ (88,448)	\$ 386,871	\$ 506,841	\$ 805,264

Condensed Consolidating Statement of Income
For the year ended February 2, 2008
(in thousands)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Sales	\$ —	\$ 12,661,177	\$ 6,711,505	\$ 19,372,682
Cost of goods sold and occupancy costs	10,573	9,203,539	4,607,899	13,822,011
Gross profit	(10,573)	3,457,638	2,103,606	5,550,671
Operating and other expenses	(24,894)	2,581,068	1,440,015	3,996,189
Income before income taxes and minority interest	14,321	876,570	663,591	1,554,482
Income tax expense	—	360,893	198,721	559,614
Income before minority interest	14,321	515,677	464,870	994,868
Minority interest	—	—	(802)	(802)
Net income	\$ 14,321	\$ 515,677	\$ 465,672	\$ 995,670

Condensed Consolidating Statement of Income
For the year ended February 3, 2007
(in thousands)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Sales	\$ —	\$ 12,069,327	\$ 6,091,462	\$ 18,160,789
Cost of goods sold and occupancy costs	8,459	8,665,100	4,293,229	12,966,788
Gross profit	(8,459)	3,404,227	1,798,233	5,194,001
Operating and other expenses	344,519	2,283,044	1,095,110	3,722,673
Income before income taxes and minority interest	(352,978)	1,121,183	703,123	1,471,328
Income tax expense	—	259,428	238,544	497,972
Income before minority interest	(352,978)	861,755	464,579	973,356
Minority interest	—	—	(321)	(321)
Net income	\$ (352,978)	\$ 861,755	\$ 464,900	\$ 973,677

STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE N Guarantor Subsidiaries (Continued)

Condensed Consolidating Statement of Cash Flows
For the year ended January 31, 2009
(in thousands)

	<u>Staples, Inc.</u> <u>(Parent Co.)</u>	<u>Guarantor</u> <u>Subsidiaries</u>	<u>Non-</u> <u>Guarantor</u> <u>Subsidiaries</u>	<u>Consolidated</u>
Net cash provided by operating activities	\$ (3,048,263)	\$ 175,045	\$ 4,559,048	\$ 1,685,830
Investing activities:				
Acquisition of property and equipment	(47,017)	(174,542)	(156,770)	(378,329)
Acquisition of businesses and investments in joint ventures, net of cash acquired	—	—	(4,381,811)	(4,381,811)
Purchase of short-term investments	(3)	—	—	(3)
Proceeds from the sale of short-term investments	27,019	—	—	27,019
Cash used in investing activities	(20,001)	(174,542)	(4,538,581)	(4,733,124)
Financing activities:				
Proceeds from borrowings and issuance of commercial paper	4,874,602	—	—	4,874,602
Payments on borrowings	(2,180,296)	—	—	(2,180,296)
Purchase of treasury stock, net	(84,961)	—	—	(84,961)
Excess tax benefits from stock-based compensation arrangements	3,783	1,968	98	5,849
Cash dividends paid	(231,465)	—	—	(231,465)
Other	122,313	—	—	122,313
Cash provided by financing activities	2,503,976	1,968	98	2,506,042
Effect of exchange rate changes on cash and cash equivalents	—	—	(70,422)	(70,422)
Net increase (decrease) in cash	(564,288)	2,471	(49,857)	(611,674)
Cash and cash equivalents at beginning of period	638,543	42,612	564,293	1,245,448
Cash and cash equivalents at end of period	\$ 74,255	\$ 45,083	\$ 514,436	\$ 633,774

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STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE N Guarantor Subsidiaries (Continued)

Condensed Consolidating Statement of Cash Flows
For the year ended February 2, 2008
(in thousands)

	<u>Staples, Inc.</u> <u>(Parent Co.)</u>	<u>Guarantor</u> <u>Subsidiaries</u>	<u>Non-</u> <u>Guarantor</u> <u>Subsidiaries</u>	<u>Consolidated</u>
Net cash provided by operating activities	\$ 794,537	\$ 315,338	\$ 251,141	\$ 1,361,016
Investing activities:				
Acquisition of property and equipment	(79,192)	(257,154)	(134,031)	(470,377)
Acquisition of businesses and investments in joint ventures, net of cash acquired	—	(82,202)	(95,875)	(178,077)
Purchase of short-term investments	(4,148,716)	—	—	(4,148,716)
Proceeds from the sale of short-term investments	4,579,460	—	—	4,579,460
Cash provided by (used in) investing activities	351,552	(339,356)	(229,906)	(217,710)
Financing activities:				
Payments on borrowings	(206,515)	—	—	(206,515)
Purchase of treasury stock, net	(760,977)	—	—	(760,977)
Excess tax benefits from stock-based compensation arrangements	649	16,943	965	18,557
Cash dividends paid	(207,552)	—	—	(207,552)
Other	190,300	—	—	190,300
Cash (used in) provided by financing activities	(984,095)	16,943	965	(966,187)
Effect of exchange rate changes on cash	—	—	50,658	50,658
Net increase (decrease) in cash and cash equivalents	161,994	(7,075)	72,858	227,777
Cash and cash equivalents at beginning of period	476,549	49,687	491,435	1,017,671
Cash and cash equivalents at end of period	\$ 638,543	\$ 42,612	\$ 564,293	\$ 1,245,448

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STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE N Guarantor Subsidiaries (Continued)

Condensed Consolidating Statement of Cash Flows
For the year ended February 3, 2007
(in thousands)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Net cash provided by operating activities	\$ 663,676	\$ 387,110	\$ 100,215	\$ 1,151,001
Investing activities:				
Acquisition of property and equipment	(72,465)	(387,127)	(68,883)	(528,475)
Acquisition of businesses and investments in joint ventures, net of cash acquired	—	(29,654)	(2,096)	(31,750)
Purchase of short-term investments	(8,223,063)	—	—	(8,223,063)
Proceeds from the sale of short-term investments	8,358,384	—	—	8,358,384
Cash provided by (used in) investing activities	62,856	(416,781)	(70,979)	(424,904)
Financing activities:				
Payments on borrowings	(5,191)	—	—	(5,191)
Purchase of treasury stock, net	(775,822)	—	—	(775,822)
Excess tax benefits from stock-based compensation arrangements	2,958	29,968	3,143	36,069
Cash dividends paid	(160,883)	—	—	(160,883)
Other	209,251	—	—	209,251
Cash (used in) provided by financing activities	(729,687)	29,968	3,143	(696,576)
Effect of exchange rate changes on cash	—	—	10,328	10,328
Net (decrease) increase in cash and cash equivalents	(3,155)	297	42,707	39,849
Cash and cash equivalents at beginning of period	479,704	49,390	448,728	977,822
Cash and cash equivalents at end of period	\$ 476,549	\$ 49,687	\$ 491,435	\$ 1,017,671

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STAPLES, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements (Continued)

NOTE O Quarterly Summary (Unaudited)

	(In thousands, except per share amounts)			
	First Quarter	Second Quarter(1)	Third Quarter(2)	Fourth Quarter(3)
Fiscal Year Ended January 31, 2009				
Sales	\$ 4,884,554	\$ 5,074,720	\$ 6,950,933	\$ 6,173,568
Gross profit	1,370,922	1,351,502	1,864,134	1,660,378
Net income	212,282	150,233	156,703	286,046
Basic earnings per common share	\$ 0.31	\$ 0.22	\$ 0.22	\$ 0.41
Diluted earnings per share	\$ 0.30	\$ 0.21	\$ 0.22	\$ 0.40

	First Quarter	Second Quarter	Third Quarter(4)	Fourth Quarter
Fiscal Year Ended February 2, 2008				
Sales	\$4,589,465	\$4,290,424	\$5,168,351	\$5,324,442
Gross profit	1,284,939	1,210,367	1,505,674	1,549,691
Net income	209,143	178,828	274,518	333,181
Basic earnings per common share	\$ 0.29	\$ 0.25	\$ 0.39	\$ 0.48
Diluted earnings per share	\$ 0.29	\$ 0.25	\$ 0.38	\$ 0.47

- (1) Results of operations include the results of operations for Corporate Express since July 2, 2008, the date Staples declared the terms of the tender offer unconditional. Results of operations for this period include a \$0.1 million charge, net of taxes related to integration and restructuring costs.
- (2) Results of operations for this period include a \$86.6 million charge, net of taxes (\$0.12 per diluted share) related to integration and restructuring costs and a \$57.0 million income tax charge (\$0.08 per diluted share) for the establishment of a reserve related to foreign tax credits expected to expire.
- (3) Results of operations for this period include a \$26.9 million charge, net of taxes (\$0.04 per diluted share) related to integration and restructuring costs and the reversal of the \$57.0 million income tax charge (\$0.08 per diluted share) established in the third quarter of 2008.
- (4) Results of operations for this period include a \$24.3 million charge, net of taxes (\$0.04 per diluted share) related to the settlement of California wage and hour class action litigation.

Staples, Inc.
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
Accounts Receivable Allowance for Doubtful Accounts

Valuation and qualifying account information related to operations is as follows (in thousands):

	Balance at Beginning of Period	Additions Charged to Expense	Additions from Acquisition	Deductions— Write-offs, Payments and Other Adjustments	Balance at End of Period
Fiscal year ended:					
February 3, 2007	\$ 16,352	\$ 15,106	\$ 153	\$ 12,793	\$ 18,818
February 2, 2008	18,818	21,174	342	17,831	22,503
January 31, 2009	22,503	28,810	33,381	27,401	57,293

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EXHIBIT INDEX

Exhibit No.	Description
1.1 [^]	Underwriting Agreement, dated January 12, 2009, by and among the Company, Barclays Capital Inc., Banc of America Securities LLC, HSBC Securities (USA) Inc. and the Guarantor Subsidiaries. Filed as Exhibit 1.1 to the Company's Form 8-K filed on January 14, 2009.
2.1 [^]	Merger Protocol, dated as of June 9, 2008, by and among Staples, Inc., Staples Acquisition B.V. and Corporate Express N.V. Filed as Exhibit 2.1 to the Company's Form 8-K filed on June 16, 2008.
3.1 [^]	Restated Certificate of Incorporation, dated as of September 29, 2008. Filed as Exhibit 3.1 to the Company's Form 10-Q for the quarter ended November 1, 2008.
3.2 ⁺	Amended and Restated By-laws of the Company, as amended, dated as of March 10, 2009.
4.1 [^]	Indenture, dated September 30, 2002, for the 7.375% Senior Notes due 2012, by and among the Company, the Guarantor Subsidiaries and HSBC Bank USA. Filed as Exhibit 4.1 to the Company's Form 8-K filed on October 8, 2002.
4.2 [^]	First Supplemental Indenture (7.375% Senior Notes), entered into as of February 1, 2004, to Indenture, dated as of September 30, 2002, by and among the Company, the Subsidiary Guarantors, the Initial Subsidiary Guarantors and HSBC Bank. Filed as Exhibit 4.1 to the Company's Form 10-Q for the quarter ended May 1, 2004.
4.3 [^]	Indenture, dated January 15, 2009, for the 9.75% Senior Notes due 2014, by and among the Company, the Guarantor Subsidiaries and HSBC Bank (USA) Inc. Filed as Exhibit 4.1 to the Company's Form 8-K filed on January 21, 2009.
10.1 [^]	Amended and Restated Revolving Credit Agreement, dated as of October 13, 2006, by and among the Company, the lenders named therein, Bank of America, N.A., as Administrative Agent, Citibank, N.A., as Syndication Agent, and HSBC Bank USA, National Association, JPMorgan Chase Bank, N.A. and Wachovia Bank, National Association, as Co-Documentation Agents, with Banc of America Securities LLC having acted as sole Lead Arranger and sole Book Manager. Filed as Exhibit 10.1 to the Company's Form 8-K filed on October 19, 2006.
10.2 [^]	Amendment No. 1, dated as of May 5, 2008, to the Amended and Restated Revolving Credit Agreement, dated as of October 13, 2006, by and among the Company, the lenders named therein, Bank of America, N.A., as Administrative Agent, and the other parties thereto. Filed as Exhibit 10.1 to the Company's Form 8-K filed on May 9, 2008.
10.3 [^]	Assignment and Acceptance, dated as of September 25, 2008, assigned by Lehman Commercial Paper, Inc. to Barclays Bank PLC for the Amended and Restated Revolving Credit Agreement, dated as of October 13, 2006, among the Company, the other lenders thereto, Bank of America, N.A., as Administrative Agent, and the other parties thereto. Filed as Exhibit 10.3 to the Company's Form 10-Q for the quarter ended November 1, 2008.
10.4 [^]	Credit Agreement, dated as of April 1, 2008, by and among the Company, the lenders named therein, Lehman Commercial Paper Inc., as Administrative Agent, Bank of America, N.A. and HSBC Bank USA, National Association, as Co-Syndication Agents, and Lehman Brothers Inc., as Lead Arranger and Bookrunner. Filed as Exhibit 10.1 to the Company's Form 8-K filed on April 1, 2008.
10.5 [^]	Amendment No. 1 to Credit Agreement, dated as of July 1, 2008, by and among the Company, the lenders named therein, Lehman Commercial Paper Inc., as Administrative Agent, and the other parties thereto, to the Credit Agreement, dated as of April 1, 2008, by and among the Company, the lenders named therein, Lehman Commercial Paper Inc., as Administrative Agent and the other parties thereto. Filed as Exhibit 10.1 to the Company's Form 8-K filed on July 2, 2008.
10.6 [^]	Amendment No. 2 to Credit Agreement, dated as of September 12, 2008, by and among the Company, the lenders named therein, Lehman Commercial Paper Inc., as Administrative Agent, and the other parties thereto, to the Credit Agreement, dated as of April 1, 2008, by and among the Company, the lenders named therein, Lehman Commercial Paper Inc., as Administrative Agent and the other parties thereto. Filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended on November 1, 2008.
10.7 [^]	Assignment and Assumption, dated as of September 25, 2008, assigned by Lehman Commercial Paper Inc. to Barclays Bank PLC for the Credit Agreement, dated as of April 1, 2008, by and among the Company, the lenders named therein, Lehman Commercial Paper Inc., as Administrative Agent and the other parties thereto. Filed as Exhibit 10.2 to the Company's Form 10-Q for the quarter ended on November 1, 2008.

<u>Exhibit No.</u>	<u>Description</u>
10.8^	Letter, dated December 23, 2008, from the Company to Barclays Bank PLC, reducing the total commitment under the Credit Agreement, dated as of April 1, 2008 by and among the Company, the lenders named therein, Barclays Bank PLC, as Administrative Agent and the other parties thereto. Filed as Exhibit 10.1 to the Company's Form 8-K filed on December 30, 2008.
10.9^	Letter, dated January 15, 2009, from the Company to Barclays Bank PLC, reducing the total commitment under the Credit Agreement, dated as of April 1, 2008 by and among the Company, the lenders named therein, Barclays Bank PLC, as Administrative Agent and the other parties thereto. Filed as Exhibit 10.1 to the Company's Form 8-K filed on January 21, 2009.
10.10^	Amended and Restated Commercial Paper Dealer Agreement, dated as of August 6, 2008, among the Company, Banc of America Securities LLC and the other parties thereto. Filed as Exhibit 10.4 to the Company's Form 10-Q for the quarter ended on August 2, 2008.
10.11^	Amended and Restated Commercial Paper Dealer Agreement, dated as of August 6, 2008, among the Company, Lehman Brothers Inc. and the other parties thereto. Filed as Exhibit 10.5 to the Company's Form 10-Q for the quarter ended on August 2, 2008.
10.12^	Letter, dated as of September 29, 2008, assigning Lehman Brothers Inc. interests to Barclays Capital Inc., for the Amended and Commercial Paper Dealer Agreement, dated as of August 6, 2008, among the Company, Lehman Brothers Inc. and the other parties thereto. Filed as Exhibit 10.5 to the Company's Form 10-Q for the quarter ended on November 1, 2008.
10.13^	Commercial Paper Dealer Agreement, dated as of September 19, 2008, among the Company, JP Morgan Securities Inc. and the other parties thereto. Filed as Exhibit 10.6 to the Company's Form 10-Q for the quarter ended on November 1, 2008.
10.14^	Amended and Restated 2004 Stock Incentive Plan, as amended. Filed as Exhibit 10.4 to the Company's Form 8-K filed on June 13, 2008.
10.15*+	Form of Non-Employee Director Restricted Stock Award Agreement (Initial Grant) under the Amended and Restated 2004 Stock Incentive Plan.
10.16*+	Form of Non-Employee Director Restricted Stock Award Agreement under the Amended and Restated 2004 Stock Incentive Plan.
10.17*^	Form of Non-Employee Director Stock Option Agreement under the Amended and Restated 2004 Stock Incentive Plan. Filed as Exhibit 10.2 to the Company's Form 10-Q for the quarter ended on May 3, 2008.
10.18*+	Form of Restricted Stock Award Agreement under the Amended and Restated 2004 Stock Incentive Plan.
10.19*^	Form of Non-Qualified Stock Option Agreement under the Amended and Restated 2004 Stock Incentive Plan. Filed as Exhibit 10.14 to the Company's Form 10-K for the fiscal year ended on February 2, 2008.
10.20*^	Form of Performance Share Award Agreement under the Amended and Restated 2004 Stock Incentive Plan. Filed as Exhibit 10.16 to the Company's Form 10-K for fiscal year ended on February 2, 2008.
10.21**^	Performance Share Award Agreement, dated as of March 8, 2007, by and between the Company and Ronald L. Sargent. Filed as Exhibit 10.6 to the Company's Form 10-Q for the quarter ended May 5, 2007.
10.22*^	Restricted Stock Award Agreement, dated as of March 8, 2007, by and between the Company and Ronald L. Sargent. Filed as Exhibit 10.7 to the Company's Form 10-Q for the quarter ended May 5, 2007.
10.23*^	Amended and Restated 1992 Equity Incentive Plan, as amended. Filed as Exhibit 10.21 to the Company's Form 10-K for the fiscal year ended February 2, 2008.
10.24*^	Amended and Restated 1990 Director Stock Option Plan, as amended. Filed as Exhibit 10.22 to the Company's Form 10-K for the fiscal year ended February 2, 2008.
10.25*^	1997 United Kingdom Company Share Option Scheme. Filed as Exhibit 10.3 to the Company's 10-K for the fiscal year ended on January 31, 1998.
10.26*^	1997 UK Savings Related Share Option Scheme. Filed as Exhibit 10.5 to the Company's Form 10-K for the fiscal year ended on February 1, 2003.
10.27*^	Amended and Restated 1998 Employee Stock Purchase Plan, as amended. Filed as Exhibit 10.25 to the Company's Form 10-K for the fiscal year ended on February 2, 2008.

<u>Exhibit No.</u>	<u>Description</u>
10.28*^	Amended and Restated International Employee Stock Purchase Plan, as amended. Filed as Exhibit 10.26 to the Company's 10-K for the fiscal year ended on February 2, 2008.
10.29*^	Non-Management Director Compensation Summary. Filed as Exhibit 10.1 to the Company's 10-Q for the quarter ended on May 2, 2008.
10.30*^	Executive Officer Incentive Plan for fiscal years 2008 through 2012. Filed as Exhibit 10.3 to the Company's Form 8-K filed on June 13, 2008.
10.31*+	Form of Severance Benefits Agreement signed by named executive officers of the Company.
10.32*^	Form of Non-Compete and Non-Solicitation Agreement signed by executive officers of the Company. Filed as Exhibit 10.6 to the Company's Form 10-K for the fiscal year ended January 29, 2000.
10.33*^	Form of Proprietary and Confidential Information Agreement signed by executive officers of the Company. Filed as Exhibit 10.30 to the Company's 10-K for the fiscal year ended on January 29, 2005.
10.34*+	Form of Indemnification Agreement signed by executive officers and directors of the Company.
10.35*^	Offer Letter, dated as of July 30, 2003, by and between the Company and Michael A. Miles. Filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended on November 1, 2003.
10.36*^	Second Amended and Restated Severance Benefits Agreement, dated March 13, 2006, by and between the Company and Ronald L. Sargent. Filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended on April 29, 2006.
10.37*+	Amendment, dated December 22, 2008, to Second Amended and Restated Severance Benefits Agreement, dated March 13, 2006, by and between the Company and Ronald L. Sargent.
10.38*^	Amended and Restated Severance Benefits Agreement, dated March 13, 2006, by and between the Company and John J. Mahoney. Filed as Exhibit 10.2 to the Company's Form 10-Q for the quarter ended on April 29, 2006.
10.39*+	Amendment, dated December 23, 2008, to Amended and Restated Severance Benefits Agreement, dated March 13, 2006, by and between the Company and John J. Mahoney.
10.40*^	Amended and Restated Severance Benefits Agreement, dated March 13, 2006, by and between the Company and Michael A. Miles. Filed as Exhibit 10.3 to the Company's Form 10-Q for the quarter ended on April 29, 2006.
10.41*+	Amendment, dated December 31, 2008, to Amended and Restated Severance Benefits Agreement, dated March 13, 2006, by and between the Company and Michael A. Miles.
10.42*^	Long Term Care Insurance Plan Summary. Filed as Exhibit 10.23 to the Company's Form 10-K for the fiscal year ended on January 29, 2005.
10.43*^	Survivor Benefit Plan. Filed as Exhibit 10.24 to the Company's Form 10-K for the fiscal year ended on January 29, 2005.
10.44*^	Executive Life Insurance Program Summary. Filed as Exhibit 10.25 to the Company's 10-K for the fiscal year ended on January 29, 2005.
10.45*^	Amended and Restated Supplemental Executive Retirement Plan. Filed as Exhibit 10.30 to the Company's Form 10-K for the fiscal year ended on February 2, 2008.
10.46*^	Policy on Personal Use of Corporate Aircraft. Filed as Exhibit 10.28 to the Company's Form 10-K for the fiscal year ended on January 29, 2005.
10.47*^	Senior Executive Long Term Disability Supplemental Coverage Reimbursement Policy. Filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended on July 30, 2005.
10.48*^	Tax Services Reimbursement Program. Filed as Exhibit 10.9 to the Company's Form 10-Q for the quarter ended on August 2, 2008.
12.1+	Statement of Computation of Ratio of Earnings to Fixed Charges.
14.1^	Code of Ethics. Filed as Exhibit 14.1 to the Company's Form 10-K for the fiscal year ended February 3, 2007.
21.1+	Subsidiaries of the Company.
23.1+	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
31.1+	Principal Executive Officer—Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Principal Financial Officer—Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1++	Principal Executive Officer—Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit No.**Description**

32.2++ Principal Financial Officer—Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*

A management contract or compensatory plan or arrangement required to be filed as an exhibit to this annual report pursuant to Item 15(b) of Form 10-K.

**

Portions of the exhibit have been omitted pursuant to a grant of confidential treatment.

^

An exhibit previously filed with the Securities and Exchange Commission and incorporated herein by reference. Unless otherwise indicated, such exhibit was filed under Commission File Number 0-17586.

+

Filed herewith.

++

Furnished herewith.

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BY-LAWS

of

STAPLES, INC.

(as amended and restated through March 10, 2009)

ARTICLE I

Stockholders

Section 1. Annual Meeting. The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held on a date to be fixed by the board of directors or the president (which date shall not be a legal holiday in the place where the meeting is to be held) at the time and place to be fixed by the board of directors or the president and stated in the notice of meeting. If no annual meeting is held in accordance with the foregoing provisions, the board of directors shall cause the meeting to be held as soon thereafter as convenient. If no annual meeting is held in accordance with the foregoing provisions, a special meeting may be held in lieu of the annual meeting, and any action taken at that special meeting shall have the same effect as if it had been taken at the annual meeting, and in such case all references in these by-laws to the annual meeting of the stockholders shall be deemed to refer to such special meeting.

Section 2. Special Meetings.

Section 2.1 Except as provided in Section 2.2 below, special meetings of stockholders may be called at any time by only the chairman of the board, the president or the board of directors.

Section 2.2 Subject to the provisions of this Section 2.2, a special meeting of stockholders shall be called by the secretary following the receipt by the secretary of written requests to call a meeting from Eligible Holders (as defined below) of at least 25% of the outstanding shares of common stock of the corporation at the time of the request. "Eligible Holder" means any record holder of outstanding shares of common stock of the corporation that (i) is making such request on its own behalf (and not on behalf of a beneficial owner of such common stock), or (ii) is making such request on behalf of a beneficial owner of such common stock, provided that, in the case of this clause (ii), such request must be accompanied by proof of such beneficial ownership in a form that would be sufficient to prove eligibility to submit a shareholder proposal under paragraph (b) of Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended, or any successor rule. In determining whether requests to call a meeting have been received from Eligible Holders of at least 25% of the outstanding shares of common stock of the corporation, multiple requests to call a special meeting will not be considered together if they relate to different items of business. Subject to paragraph (D) below, business transacted at any special meeting of stockholders shall be limited to the proposals set forth in the notice of such meeting.

(A) A written request from a stockholder to call a special meeting shall not be effective unless it is signed and dated by a stockholder of record and unless it includes (i) all of the information and representations (including any required supplements) described in Section 7.4 of this Article I if such business relates to the election of directors and (ii) all of the information and representations (including any required supplements) described in Section 8.3 of this Article I in the case of all other business. A stockholder may revoke a request to call a

special meeting by written revocation delivered to the secretary at any time prior to the special meeting; provided, however, that if any such revocations are received by the secretary and, as a result of such revocation, there no longer are unrevoked requests from Eligible Holders of at least 25% of the outstanding common stock of the corporation, the board of directors shall have the discretion to determine whether or not to proceed with the special meeting.

(B) A written request from a stockholder to call a special meeting shall be ineffective if (1) it relates to an item of business that is not a proper subject for stockholder action under applicable law, (2) such request is delivered between the time beginning on the 61st day after the earliest date of signature on a written request that has been delivered to the secretary relating to an item of business (other than the election of directors) that is identical or substantially similar (a "Similar Item") to an item of business included in such request and ending on the one-year anniversary of such earliest date, (3) a Similar Item will be submitted for stockholder approval at any stockholder meeting to be held on or before the 90th day after the secretary receives such written request, or (4) a Similar Item has been presented at the most recent annual meeting or at any special meeting held within one year prior to receipt by the secretary of such request to call a special meeting.

(C) The board of directors shall determine in good faith whether the requirements set forth in paragraph (B) have been satisfied. The secretary shall determine in good faith whether all other requirements set forth in this subsection have been satisfied. Any determination made pursuant to this paragraph (C) shall be binding on the corporation and its stockholders.

(D) The board of directors shall determine the place, and fix the date and time, of any stockholder-called special meeting. The board of directors may submit its own proposal or proposals for consideration at a stockholder-called special meeting. The record date for such meeting shall be fixed in accordance with Section 213 (or its successor provisions) of the General Corporation Law of Delaware.

Section 3. Place of Meetings. Meetings of the stockholders may be held anywhere within or without the United States. The board of directors may, in its sole discretion, determine that a meeting shall not be held at any place, but may instead be held solely by means of remote communications in a manner consistent with the General Corporation Law of Delaware.

Section 4. Notice. Except as hereinafter provided, a written or printed notice of every meeting of stockholders stating the place, if any, date, hour, purposes and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting thereof shall be given by the secretary or an assistant secretary (or by any other officer in the case of an annual meeting or by the person or persons calling the meeting in the case of a special meeting) not less than ten (10) days and not more than sixty (60) days before the meeting to each stockholder entitled to vote thereat and to each stockholder who, by law, by the certificate of incorporation or by these by-laws, is entitled to such notice, by leaving such notice with him or at his residence or usual place of business or by mailing it, postage prepaid, addressed to him at his address as it appears upon the records of the corporation. Without limiting the manner by which notice otherwise may be given to stockholders, any notice shall be effective if given by a form of electronic transmission consented to (in a manner consistent with the General Corporation Law of Delaware) by the stockholder to whom the notice is given. If notice is given by electronic transmission, such notice shall be deemed given at the time specified in Section 232 of the General Corporation Law of Delaware. No notice of the place, if any, date, hour, purposes or the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at any annual or special meeting of stockholders need be given to a stockholder if a written waiver of such notice, executed before or after the meeting by such stockholder or his attorney thereunto authorized, or

a waiver by electronic transmission is filed with the records of the meeting, or to any stockholder who attends the meeting without objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

Section 5. Action at a Meeting.

Section 5.1 Except as otherwise provided by the certificate of incorporation, at any meeting of the stockholders a majority of all shares of stock then issued, outstanding and entitled to vote shall constitute a quorum for the transaction of any business. Though less than a quorum be present, any meeting may without further notice be adjourned to a subsequent date or until a quorum be had, and at any such adjourned meeting any business may be transacted which might have been transacted at the original meeting.

Section 5.2 When a quorum is present at any meeting, the affirmative vote of the holders of shares of stock representing a majority of the votes cast on a matter (or if there are two or more classes of stock entitled to vote as a separate class, then in the case of each such class, the holders of shares of stock of that class representing a majority of the votes cast on the matter) shall decide any matter to be voted upon by the stockholders at such meeting, except when a different vote is required by express provision of law, the certificate of incorporation or these by-laws.

Section 5.3 When a quorum is present at any meeting, for the election of directors, a nominee for director shall be elected by the stockholders at such meeting if the votes cast "for" such nominee's election exceed the votes cast "against" such nominee's election (with "abstentions" and "broker non-votes" not counted as a vote either "for" or "against" that director's election); provided, that directors shall be elected by a plurality of the votes cast at any meeting of stockholders for which (i) the secretary of the corporation receives a notice that a stockholder has nominated a person for election to the board of directors in compliance with the advance notice requirements for stockholder nominees for director set forth in Article I, Section 7 of these by-laws and (ii) such nomination has not been withdrawn by such stockholder on or before the tenth business day before the corporation first mails its notice of meeting to the stockholders.

Section 5.4 Except as otherwise provided by law or by the certificate of incorporation or by these by-laws, each holder of record of shares of stock entitled to vote on any matter shall have one vote for each such share held of record by him and a proportionate vote for any fractional shares so held by him. Each stockholder of record entitled to vote at a meeting of stockholders may vote in person or may authorize another person or persons to vote for such stockholder by a proxy executed or transmitted in a manner permitted by the General Corporation Law of Delaware by the stockholder or such stockholder's authorized agent and delivered (including by electronic transmission) to the secretary of the corporation. No proxy shall be voted or acted upon more than three years after its date unless the proxy provides for a longer period of time. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by any one of them unless at or prior to the exercise of the proxy the corporation receives a specific written notice to the contrary from any one of them.

Section 6. Tabulation of Votes. At any annual or special meeting of stockholders the presiding officer shall be authorized to appoint a Teller for such meeting. The Teller shall be responsible for tabulating or causing to be tabulated shares voted at the meeting and reviewing or causing to be reviewed all proxies. In tabulating votes, the Teller shall be entitled to rely in whole or in part on tabulations and analyses made by personnel of the corporation, its transfer agent, its registrar or such other organizations as are customarily employed to provide such services. The Teller shall be authorized to determine the legality and sufficiency both under the

corporation's certificate of incorporation and by-laws and under applicable law of all votes cast and proxies delivered. In making the determinations authorized in the preceding sentence, the Teller shall be entitled to rely on advice of counsel to the corporation. All determinations by the Teller shall be subject to review by the presiding officer (who will be entitled to rely on advice of such counsel) and to further review by any court of competent jurisdiction.

Section 7. Nomination of Directors.

Section 7.1 Except for any directors elected in accordance with Article II, Section 5 of these by-laws by the board of directors to fill a vacancy or newly-created directorship or as otherwise required by applicable law or stock exchange regulation, only persons who are nominated in accordance with the procedures in this Section 7 shall be eligible for election as directors. Subject to the additional conditions set forth in the last sentence of this paragraph 7.1, nomination for election to the board of directors of the corporation at a meeting of stockholders may be made (a) by or at the direction of the board of directors or (b) by any stockholder of the corporation who complies with the procedures and all information requirements set forth in this Section 7 and who is a stockholder of record on the date of the giving of such notice and on the record date for the determination of stockholders entitled to vote at such meeting and is entitled to vote for the election of directors at such meeting. In the case of a special meeting of stockholders, a stockholder may nominate directors for election at such special meeting only if (i) the notice of meeting specifies that directors shall be elected at such meeting and (ii) any nomination made by the stockholder is for election to such position(s) as specified in the notice of meeting.

Section 7.2 In the case of an election of directors at an annual meeting of stockholders, director nominations, other than those made by or at the direction of the board of directors, must be made by notice, in writing delivered or mailed by first class United States mail, postage prepaid to, and received by, the secretary of the corporation at the principal executive offices of the corporation not later than the close of business on the ninetieth (90th) day, nor earlier than the close of business on the one hundred twentieth (120th) day, prior to the first anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered and received not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of (A) the ninetieth (90th) day prior to such annual meeting and (B) the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the corporation or notice of the date of such annual meeting was mailed, whichever first occurs.

Section 7.3 In the case of an election of directors at a special meeting of stockholders, director nominations, other than those made by or at the direction of the board of directors, must be made by notice, in writing delivered or mailed by first class United States mail, postage prepaid to, and received by, the secretary of the corporation at the principal executive offices of the corporation not later than the close of business on the later of (X) the ninetieth (90th) day prior to such special meeting and (Y) the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the corporation or notice of the date of such special meeting was mailed, whichever first occurs, nor earlier than the close of business on the one hundred twentieth (120th) day prior to the date of such special meeting. In no event shall the adjournment or postponement of an annual or special meeting (or the public announcement thereof) commence a new time period (or extend any time period) for the giving of a stockholder's notice.

Section 7.4 The stockholder's notice to the secretary of the corporation shall set forth (a) as to each proposed nominee, (i) the name, age, business address and, if known, residence

address of each such nominee, (ii) the principal occupation or employment of each such nominee, (iii) the class and number of shares of stock of the corporation which are beneficially owned by each such nominee, (iv) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the stockholder and the beneficial owner, if any, on whose behalf the nomination is being made and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each such nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such Item and the nominee were a director or executive officer of such registrant, and (v) any other information concerning each such nominee that would be required to be disclosed as to nominees in a proxy statement or other filings required to be made in connection with solicitation of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including each such nominee's written consent to be named as a nominee and to serve as a director if elected); (b) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made, (i) the name and address, as they appear on the corporation's books, of such stockholder and the name and address of such beneficial owner, (ii) the class and number of shares of the corporation which are, directly or indirectly, owned beneficially and of record by such stockholder and such beneficial owner, (iii) a representation that such stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to make such nomination, (iv) a description of any agreement, arrangement or understanding between such stockholder and such beneficial owner and any other person or persons (including their names) in connection with such nomination, (v) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder and such beneficial owner, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner with respect to shares of stock of the corporation, and (vi) any other information relating to such stockholder and such beneficial owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and (c) a representation as to whether either such stockholder or such beneficial owner, alone or as part of a group, intends (i) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to elect the nominee and/or (ii) otherwise to solicit proxies from stockholders in support of such nominee. The information required by clauses (a) and (b) of the prior sentence shall be supplemented by the stockholder giving the notice not later than 10 days after the record date for the meeting as of the record date. The corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility and qualifications of such proposed nominee to serve as a director of the corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

Section 7.5 The officer presiding at a meeting of stockholders shall have the power and duty to determine whether a nomination was not made in accordance with the provisions of this Section 7, and if he or she should so determine, he or she shall so declare to the meeting and such nomination shall not be brought before the meeting.

Section 7.6 Notwithstanding the foregoing provisions of this Section 7, if the stockholder (or a qualified representative of the stockholder) does not appear at the meeting of stockholders of the corporation to present a nomination, such nomination shall not be considered, notwithstanding that proxies in respect of such vote may have been received by the corporation. For purposes of this Section 7 and Section 8, to be considered a qualified representative of the stockholder, a person must be authorized by a written instrument executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as a proxy at the meeting of stockholders and such person must produce such written instrument or electronic transmission, or a reliable reproduction of the written instrument or electronic transmission, at the meeting of stockholders.

Section 7.7 Except as otherwise required by law, nothing in this Section 7 shall obligate the corporation or the board of directors to include in any proxy statement or other stockholder communication distributed on behalf of the corporation or the board of directors information with respect to any nominee for director submitted by a stockholder.

Section 7.8 For purposes of this Section 7 and Section 8, “public announcement” shall include disclosure in a press release reported by the Dow Jones New Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

Section 8. Notice of Business at Meetings.

Section 8.1 At any meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before a special meeting, business must be brought before the meeting in accordance with Article I, Section 2 or Article I, Section 7 of these by-laws. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto), (b) brought before the meeting by or at the direction of the board of directors or (c) properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, if such business relates to the election of directors of the corporation, the procedures and all information requirements in Section 7 must be complied with. For business (other than the election of directors) to be properly brought before an annual meeting by a stockholder, the business must constitute a proper matter under Delaware law for stockholder action and the stockholder must (i) have given timely notice thereof and provided all required information in writing to the secretary of the corporation in accordance with the provisions set forth in this Section 8, (ii) be a stockholder of record on the date of the giving of such notice and on the record date for the determination of stockholders entitled to vote at such meeting and (iii) be entitled to vote on such business at such meeting.

Section 8.2 To be timely, notice by the stockholder must be delivered or mailed by first class United States mail, postage prepaid, to, and received by, the secretary of the corporation at the principal executive offices of the corporation, not later than the close of business on the ninetieth (90th) day, nor earlier than the close of business on the one hundred twentieth (120th) day, prior to the first anniversary of the preceding year’s annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered and received not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of (A) the ninetieth (90th) day prior to such annual meeting and (B) the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the corporation or notice of the date of such annual meeting was mailed, whichever first occurs. In no event shall the adjournment or postponement of an annual meeting (or the public announcement thereof) commence a new time period (or extend any time period) for the giving of a stockholder’s notice.

Section 8.3 The stockholder's notice to the secretary of the corporation shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the meeting, the text relating to the business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these by-laws, the language of the proposed amendment), and the reasons for conducting such business at the meeting, (b) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made, (c) the class and number of shares of the corporation which are, directly or indirectly, owned beneficially and of record by such stockholder and such beneficial owner, (d) a representation that such stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, (e) a description of any agreement, arrangement or understanding between such stockholder and such beneficial owner and any other person or persons (including their names) in connection with such business and any material interest of such stockholder and such beneficial owner in such business, (f) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder and such beneficial owner, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner with respect to shares of stock of the corporation, (g) any other information relating to such stockholder and such beneficial owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the business proposed pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, and (h) a representation as to whether either such stockholder or such beneficial owner, alone or as part of a group, intends (i) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to approve or adopt the proposal and/or (ii) otherwise to solicit proxies from stockholders in support of such proposal. The information required by clauses (b), (c), (d), (e), (f) and (g) of the prior sentence shall be supplemented by the stockholder giving the notice not later than 10 days after the record date for the meeting as of the record date.

Section 8.4 Notwithstanding anything in these by-laws to the contrary, no business shall be conducted at any meeting of stockholders except in accordance with the procedures set forth in this Section 8, and except that any stockholder proposal which complies with Rule 14a-8 of the proxy rules (or any successor provision) promulgated under the Exchange Act and is to be included in the corporation's proxy statement for an annual meeting of stockholders shall be deemed to comply with the requirements of this Section 8.

Section 8.5 The officer presiding at a meeting of stockholders shall have the power and duty to determine whether business was not brought in accordance with the provisions of this Section 8, and if he or she should so determine, he or she shall so declare to the meeting and such business shall not be brought before the meeting.

Section 8.6 Notwithstanding the foregoing provisions of this Section 8, if the stockholder (or a qualified representative of the stockholder) does not appear at the meeting of stockholders of the corporation to present business, such business shall not be considered, notwithstanding that proxies in respect of such vote may have been received by the corporation.

Section 8.7 Except as otherwise required by law, nothing in this Section 8 shall obligate the corporation or the board of directors to include in any proxy statement or other

stockholder communication distributed on behalf of the corporation or the board of directors information with respect to any proposal submitted by a stockholder.

Section 9. Voting List. The officer who has charge of the stock ledger of the corporation shall prepare, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least 10 days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting; or (ii) during ordinary business hours, at the principal place of business of the corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

ARTICLE II

Directors

Section 1. Number and Election. There shall be a board of directors consisting of not less than five directors. The exact number of directors (subject to the limitation specified in the preceding sentence) shall be fixed from time to time by the board of directors pursuant to a duly adopted resolution. No director need be a stockholder.

Section 2. Terms. The directors shall be elected for a term of office to expire at the next annual meeting of stockholders, subject to the election and qualification of their successors or the earlier of their death, resignation or removal.

Section 3. Resignations. Any director may resign by delivering a resignation in writing or by electronic transmission to the corporation at its principal office or to the president or the secretary. Such resignation shall become effective at the time or upon the happening of the condition, if any, specified therein or, if no such time or condition is specified, upon its receipt.

Section 4. Removal. Any one or more of the directors may be removed from office, with or without cause, by the vote of the holders of a majority of the shares outstanding and entitled to vote in the election of directors. At any meeting of the board of directors any director may be removed from office for cause by vote of a majority of the directors then in office, but only after a reasonable notice and opportunity to be heard. Any proposal by a stockholder of the corporation to remove a director, in order to be validly acted upon at any meeting, shall comply with the procedures and information requirements of Article I, Section 2 or Article I, Section 8, as applicable, of these by-laws.

Section 5. Vacancies. Vacancies in the board of directors may be filled by vote of a majority of the remaining directors or, if not yet so filled, by the stockholders.

Section 6. Regular Meetings. Regular meetings of the board of directors may be held at such times and places as the board of directors may fix from time to time and, when so fixed, no notice thereof need be given. The first meeting of the board of directors following the annual meeting of the stockholders shall be held without notice immediately after and at the same place as the annual meeting of the stockholders or the special meeting held in lieu thereof. If in any year a meeting of the board of directors is not held at such time and place, any elections to be

held or business to be transacted at such meeting may be held or transacted at any later meeting of the board of directors with the same force and effect as if held or transacted at such meeting. Regular meetings of the board of directors shall be held at least once during each of the corporation's fiscal quarters.

Section 7. Special Meetings. Special meetings of the board of directors may be called at any time by the president or secretary or by two or more members of the board of directors. A written or printed notice given in person or by telephone or sent by telegram, telecopy or electronic mail stating the place, if any, date and hour (but not necessarily the purposes) of the meeting shall be given by the secretary or an assistant secretary or by the officer or directors calling the meeting at least forty-eight (48) hours before such meeting to each director by leaving such notice with him or at his residence or usual place of business, by mailing it, postage prepaid, or by sending it by prepaid telegram, addressed to him at his last known address or sending it by electronic mail, addressed to him at his last known electronic mail address. Notwithstanding anything above to the contrary, a notice relating to any special meeting of the board of directors called by two or more members of the board or by the president or the secretary may be given in the shortest period permitted under Delaware law, as amended from time to time. No notice of the place, if any, date or hour of any meeting of the board of directors need be given to a director if a written waiver of such notice, executed by him before or after the meeting, or a waiver by electronic transmission, is filed with the records of the meeting, or to a director who attends the meeting without objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

Section 8. Action at a Meeting. At any meeting of the board of directors, a majority of the directors then in office shall constitute a quorum. Though less than a quorum be present, any meeting may without further notice be adjourned to a subsequent date or until a quorum be had. When a quorum is present at any meeting a majority of the directors present may take any action on behalf of the board except to the extent that a larger number is required by law, by the certificate of incorporation or by these by-laws.

Section 9. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the directors may be taken without a meeting if all the directors consent to the action in writing or by electronic transmission and the written consents and electronic transmissions are filed with the records of the meetings of the directors. Such consents shall be treated for all purposes as a vote at the meeting.

Section 10. Powers. The board of directors shall have and may exercise all the powers of the corporation, except such as by law, by the certificate of incorporation or by these by-laws are conferred upon or reserved to the stockholders. In the event of any vacancy in the board of directors, the remaining directors then in office, except as otherwise provided by law, shall have and may exercise all of the powers of the board of directors until the vacancy is filled.

Section 11. Committees. The board of directors may elect from the board an executive committee or one or more other committees and may delegate to any such committee or committees any or all of the powers of the board except those which by law, by the certificate of incorporation or by these by-laws may not be so delegated. Such committees shall serve at the pleasure of the board of directors. Except as the board of directors may otherwise determine, each such committee may make rules for the conduct of its business, but, unless otherwise determined by the board or in such rules, its business shall be conducted, as nearly as may be, as provided in these by-laws for the conduct of the business of the board of directors.

Section 12. Meeting by Telecommunications. Members of the board of directors or any committee elected thereby may participate in a meeting of such board or committee by means of a conference telephone or similar communications equipment by means of which all persons

participating in a meeting can hear each other and participation by such means shall constitute presence in person at the meeting.

ARTICLE III

Officers

Section 1. Enumeration. The officers of the corporation shall consist of a president, a treasurer and a secretary and such other officers, including without limitation a chairman of the board of directors and one or more vice presidents, assistant treasurers and assistant secretaries, as the board of directors may from time to time determine.

Section 2. Qualifications. No officer need be a stockholder or a director. The same person may hold at the same time one or more offices unless otherwise provided by law. Any officer may be required by the board of directors to give a bond for the faithful performance of his duties in such form and with such sureties as the board may determine.

Section 3. Elections. The president, treasurer and secretary and the chairman of the board of directors, if any, shall be elected annually by the board of directors at its first meeting following the annual meeting of the stockholders. All other officers shall be chosen or appointed by the board of directors.

Section 4. Term. Except as otherwise provided by law, by the certificate of incorporation or by these by-laws, the president, treasurer and secretary and the chairman of the board of directors, if any, shall hold office until the first meeting of the board of directors following the next annual meeting of the stockholders and until their respective successors are chosen and qualified. All other officers shall hold office until the first meeting of the board of directors following the next annual meeting of the stockholders, unless a shorter time is specified in the vote choosing or appointing such officer or officers.

Section 5. Resignations. Any officer may resign by delivering his written resignation to the corporation at its principal office or to the president or secretary. Such resignation shall be effective at the time or upon the happening of the condition, if any, specified therein or, if no such time or condition is specified, upon its receipt.

Section 6. Removal. Any officer may be removed from office with or without cause by vote of a majority of the directors then in office.

Section 7. Vacancies. Vacancies in any office may be filled by the board of directors.

Section 8. Certain Duties and Powers. The officers designated below, subject at all times to modification by and to the direction and control of the board of directors, shall have and may exercise the respective duties and powers set forth below:

Section 8.1 The Chairman of the Board of Directors. The chairman of the board of directors, if there be one, shall be the chief executive officer of the corporation and shall, when present, preside at all meetings of the board of directors.

Section 8.2 The President. The president shall be the chief operating officer of the corporation, if there is then a chairman of the board of directors, and otherwise the president shall be the chief executive officer of the corporation and shall have general operating charge of its business. Unless otherwise prescribed by the board of directors, he shall, when present, preside at all meetings of the stockholders, and, if a director, at all meetings of the board of directors unless there be a chairman of the board of directors who is present at the meeting.

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Section 8.3 The Treasurer. The treasurer shall be the chief financial officer of the corporation, unless otherwise specified by the board of directors, and shall cause to be kept accurate books of account.

Section 8.4 The Secretary. The secretary shall keep a record of all proceedings of the stockholders and of all proceedings of the board of directors in a book kept for that purpose. In the absence of the secretary from any meeting of the stockholders or from any meeting of the board of directors, an assistant secretary, if there be one, otherwise a secretary pro-tempore designated by the person presiding at the meeting, shall perform the duties of the secretary at such meeting.

Section 9. Other Duties and Powers. Each officer, subject at all times to these by-laws and to the direction and control of the board of directors, shall have and may exercise, in addition to the duties and powers specifically set forth in these by-laws, such duties and powers as are prescribed by law, such duties and powers as are commonly incident to his office and such duties and powers as the board of directors may from time to time prescribe.

ARTICLE IV

Capital Stock

Section 1. Amount and Issuance. The total number of shares and the par value, if any, of each class of stock which the corporation is authorized to issue shall be stated in the certificate of incorporation. The directors may at any time issue all or from time to time any part of the unissued capital stock of the corporation from time to time authorized under the certificate of incorporation and may determine, subject to any requirements of law, the consideration for which stock is to be issued and the manner of allocating such consideration between capital and surplus.

Section 2. Certificates.

Section 2.1 The shares of the corporation shall be represented by certificates, provided that the board of directors may provide by resolution or resolutions that some or all of any or all classes or series of the corporation's stock shall be uncertificated shares. Every holder of stock of the corporation represented by certificates shall be entitled to a certificate or certificates stating the number and the class and the designation of the series, if any, of the shares held by him registered in certificate form and otherwise in such form as may be prescribed by law and approved by the board of directors. Each such certificate shall be signed by the chairman or vice-chairman of the board of directors or the president or vice-president, and by the treasurer or an assistant treasurer or the secretary or an assistant secretary. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 2.2 Every certificate issued for shares of stock at a time when such shares are subject to any restriction on transfer pursuant to the certificate of incorporation, these by-laws or any agreement to which the corporation is a party shall have the restriction noted conspicuously on the certificate and shall also set forth on the face or back of the certificate either (i) the full text of the restriction or (ii) a statement of the existence of such restriction and a statement that the corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge.

Section 2.3 Every certificate issued for shares of stock at a time when the corporation is authorized to issue more than one class or series of stock shall set forth on the face or back of the certificate either (i) the full text of the preferences, voting powers, qualifications and special and relative rights of the shares of each class and series, if any, authorized to be issued, as set forth in the certificate of incorporation or (ii) a statement of the existence of such preferences, powers, qualifications and rights and a statement that the corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge.

Section 2.4 Within a reasonable time after the issuance or transfer of uncertificated shares, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to Sections 151, 202(a) or 218(a) of the General Corporation Law of Delaware or, with respect to Section 151 of General Corporation Law of Delaware, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 3. Transfers. The board of directors may make such rules and regulations not inconsistent with the law, with the certificate of incorporation or with these by-laws as it deems expedient relative to the issue, transfer and registration of shares of stock, whether represented by stock certificates or in uncertificated form. The board of directors may appoint a transfer agent and a registrar of transfers or either and require all stock certificates to bear their signatures. Except as otherwise provided by law, by the certificate of incorporation or by these by-laws, the corporation shall be entitled to treat the record holder of any shares of stock as shown on the books of the corporation as the holder of such shares for all purposes, including the right to receive notice of and to vote at any meeting of stockholders and the right to receive any dividend or other distribution in respect of such shares.

Section 4. Record Date. The board of directors may fix in advance a time as the record date for determining the stockholders entitled to notice of and to vote at any meeting of stockholders and any adjournment thereof or to receive payment of any dividend or distribution to stockholders or allotment of any rights in respect of stock or for the purpose of any other lawful action (other than stockholder action by written consent); and in such case only stockholders of record on such record date shall have such right, notwithstanding any transfer of stock on the books of the corporation after the record date. Such record date fixed by the board of directors shall be not more than sixty (60) days or less than ten (10) days before the date of any meeting of stockholders and not more than sixty (60) days before any such other action. A determination of stockholders of record entitled to notice of and to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may in its discretion fix a new record date for the adjourned meeting.

Section 5. Lost Certificates. The board of directors may, except as otherwise provided by law, determine the conditions upon which a new certificate of stock may be issued in place of any certificate alleged to have been lost, mutilated or destroyed.

ARTICLE V

Miscellaneous Provisions

Section 1. Fiscal Year. The fiscal year of the corporation shall end on the Saturday nearest to January 31 in each year.

Section 2. Corporate Seal. The seal of the corporation shall be in such form as shall be determined from time to time by the board of directors.

Section 3. Voting of Securities. Except as the board of directors may otherwise prescribe, the president or the treasurer shall have full power and authority in the name and on behalf of the corporation, subject to the instructions of the board of directors, to waive notice of, to attend, act and vote at, and to appoint any person or persons to act as proxy or attorney in fact for this corporation (with or without power of substitution) at any meeting of stockholders or shareholders of any other corporation or organization, the securities of which may be held by this corporation.

ARTICLE VI

Indemnification

Section 1. Actions, Suits and Proceedings Other than by or in the Right of the Corporation. The corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that he is or was, or has agreed to become, a director or officer of the corporation, or is or was serving, or has agreed to serve, at the request of the corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. Notwithstanding anything to the contrary in this Article, except as set forth in Section 7 below, the corporation shall not indemnify an Indemnitee seeking indemnification in connection with a proceeding (or part thereof) initiated by the Indemnitee unless the initiation thereof was approved by the board of directors of the corporation.

Section 2. Actions or Suits by or in the Right of the Corporation. The corporation shall indemnify any Indemnitee who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was, or has agreed to become, a director or officer of the corporation, or is or was serving, or has agreed to serve, at the request of the corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly

and reasonably entitled to indemnity for such expenses (including attorneys' fees) which the Court of Chancery of Delaware or such other court shall deem proper.

Section 3. Indemnification for Expenses of Successful Party. Notwithstanding the other provisions of this Article, to the extent that an Indemnitee has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article, or in defense of any claim, issue or matter therein, or on appeal from any such action, suit or proceeding, he shall be indemnified against all expenses (including attorneys' fees) actually and reasonably incurred by him or on his behalf in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to the Indemnitee, (ii) an adjudication that the Indemnitee was liable to the corporation, (iii) a plea of guilty *ornolo contendere* by the Indemnitee, (iv) an adjudication that the Indemnitee did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and (v) with respect to any criminal proceeding, an adjudication that the Indemnitee had reasonable cause to believe his conduct was unlawful, the Indemnitee shall be considered for the purposes hereof to have been wholly successful with respect thereto.

Section 4. Notification and Defense of Claim. As a condition precedent to his right to be indemnified, the Indemnitee must notify the corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving him for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the corporation is so notified, the corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee. After notice from the corporation to the Indemnitee of its election so to assume such defense, the corporation shall not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with such claim, other than as provided below in this Section 4. The Indemnitee shall have the right to employ his own counsel in connection with such claim, but the fees and expenses of such counsel incurred after notice from the corporation of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the corporation, (ii) counsel to the Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the corporation and the Indemnitee in the conduct of the defense of such action or (iii) the corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel for the Indemnitee shall be at the expense of the corporation, except as otherwise expressly provided by this Article. The corporation shall not be entitled, without the consent of the Indemnitee, to assume the defense of any claim brought by or in the right of the corporation or as to which counsel for the Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above.

Section 5. Advance of Expenses. Subject to the provisions of Section 6 below, in the event that the corporation does not assume the defense pursuant to Section 4 of this Article of any action, suit, proceeding or investigation of which the corporation receives notice under this Article, any expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil or criminal action, suit, proceeding or investigation or any appeal therefrom shall be paid by the corporation in advance of the final disposition of such matter, provided, however, that the payment of such expenses incurred by an Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the corporation as authorized in this Article. Such undertaking may be accepted without reference to the financial ability of such person to make such repayment.

Section 6. Procedure for Indemnification. In order to obtain indemnification or advancement of expenses pursuant to Section 1, 2, 3 or 5 of this Article, the Indemnitee shall submit to the corporation a written request, including in such request such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification or advancement of expenses. Any such indemnification or advancement of expenses shall be made promptly, and in any event within 60 days after receipt by the corporation of the written request of the Indemnitee, unless with respect to requests under Section 1, 2, or 5 the corporation determines within such 60-day period that the Indemnitee did not meet the applicable standard of conduct set forth in Section 1 or 2, as the case may be. Such determination shall be made in each instance by (a) a majority vote of a quorum of the directors of the corporation consisting of persons who are not at that time parties to the action, suit or proceeding in question (“disinterested directors”), (b) if no such quorum is obtainable, a majority vote of a committee of two or more disinterested directors, (c) a majority vote of a quorum of the outstanding shares of stock of all classes entitled to vote for directors, voting as a single class, which quorum shall consist of stockholders who are not at that time parties to the action, suit or proceeding in question, (d) independent legal action (who may be regular legal counsel to the corporation), or (e) a court of competent jurisdiction.

Section 7. Remedies. The right to indemnification or advances as granted by this Article shall be enforceable by the Indemnitee in any court of competent jurisdiction if the corporation denies such request, in whole or in part, or if no disposition thereof is made within the 60-day period referred to above in Section 6. Unless otherwise required by law, the burden of proving that the Indemnitee is not entitled to indemnification or advancement of expenses under this Article shall be on the corporation. Neither the failure of the corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because the Indemnitee has met the applicable standard of conduct, nor an actual determination by the corporation pursuant to Section 6 that the Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct. The Indemnitee’s expenses (including attorneys’ fees) incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the corporation.

Section 8. Subsequent Amendment. No amendment, termination or repeal of this Article or of the relevant provisions of the General Corporation Law of Delaware or any other applicable laws shall affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

Section 9. Other Rights. The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in any other capacity while holding office for the corporation, and shall continue as to an Indemnitee who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of the Indemnitee. Nothing contained in this Article shall be deemed to prohibit, and the corporation is specifically authorized to enter into, agreements with officers and directors providing indemnification rights and procedures different from those set forth in this Article. In addition, the corporation may, to the extent authorized from time to time by its board of directors, grant indemnification rights to other employees or agents of the corporation or other persons serving the corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

Section 10. Partial Indemnification. If an Indemnitee is entitled under any provision of this Article to indemnification by the corporation for some or a portion of the expenses (including attorneys' fees), judgments, fines or amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the corporation shall nevertheless indemnify the Indemnitee for the portion of such expenses (including attorneys' fees), judgments, fines or amounts paid in settlement to which the Indemnitee is entitled.

Section 11. Insurance. The corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) against any expense, liability or loss incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of Delaware.

Section 12. Merger or Consolidation. If the corporation is merged into or consolidated with another corporation and the corporation is not the surviving corporation, the surviving corporation shall assume the obligations of the corporation under this Article with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the date of such merger or consolidation.

Section 13. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the corporation, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

Section 14. Definitions. Terms used herein and defined in Section 145(h) and Section 145(i) of the General Corporation Law of Delaware shall have the respective meanings assigned to such terms in such Section 145(h) and Section 145(i).

Section 15. Subsequent Legislation. If the General Corporation Law of Delaware is amended after adoption of this Article to expand further the indemnification permitted to Indemnitees, then the corporation shall indemnify such persons to the fullest extent permitted by the General Corporation Law of Delaware, as so amended.

ARTICLE VII

Amendments

These by-laws may be amended or repealed at any annual or special meeting of the stockholders by the affirmative vote of a majority of the shares of capital stock then issued, outstanding and entitled to vote provided notice of the proposed amendment or repeal is given in the notice of the meeting.

If authorized by the certificate of incorporation, these by-laws may also be amended or repealed in whole or in part, or new by-laws made, by the board of directors except with respect to any provision hereof which by law, the certificate of incorporation or these by-laws requires action by the stockholders.

Notice of Award of Restricted Stock and Restricted Stock Award Agreement

Staples, Inc.
 Employer ID: 04-2896127
 500 Staples Drive
 Framingham, MA 01702

«FirstName» «LastName»
 «Address1»
 «Address2»
 «City», «State» «Zip»
 «Country»

ACCOUNT ID: «AccountID»

In consideration of services rendered to Staples, Inc., you have been awarded shares of Staples, Inc. Common Stock under Staples, Inc.'s Restricted Stock program as follows:

Restricted Stock Award No.:	«GrantNumber»
Stock Plan:	2004RS
Date of Award:	
Total Number of Shares:	«SharesGranted»
Fair Market Value per Share:	«FairValue»
Total Value of Shares Granted:	
Vesting Date:	

By your acceptance of this Restricted Stock Award, you acknowledge that this award is granted under and governed by the terms and conditions of Staples, Inc.'s Amended and Restated 2004 Stock Incentive Plan (as further amended or restated from time to time) and by the terms and conditions of Staples, Inc.'s Restricted Stock Award Agreement which is attached hereto.

Staples, Inc.

Ronald L. Sargent
 Chairman and Chief Executive Officer

STAPLES, INC.
RESTRICTED STOCK AWARD AGREEMENT
(DIRECTORS — INITIAL GRANT)

1. **Award.** In consideration of services rendered, Staples, Inc., a Delaware corporation (“Staples”), hereby awards to the Director named in the Notice of Award (the “Notice”), pursuant to Staples’ Amended and Restated 2004 Stock Incentive Plan (the “Plan”), the Total Number of Shares of Common Stock of Staples stated in the Notice of Award (the “Shares”) subject to the terms and conditions of this Restricted Stock Award Agreement and the Plan. Except where the context otherwise requires, the term “Staples” shall include any parent and all present and future subsidiaries of Staples as defined in Sections 424(e) and 424(f) of the Internal Revenue Code of 1986, as amended or replaced from time to time (the “Code”).

2. **Transferability of Shares.** Until the Vesting Date described below, the Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of (whether by operation of law or otherwise) nor shall Shares be subject to execution, attachment or similar process, except that the Shares may be transferred by will or the laws of descent and distribution or, upon notice to Staples, for estate planning purposes to entities that are beneficially owned entirely by family members. All transferees of the Shares must agree to be governed by all of the terms and conditions of this Agreement. Upon any sale, transfer, assignment, pledge, hypothecation or other disposition, or any attempt to sell, assign, transfer, pledge, hypothecate or otherwise dispose, of the Shares contrary to the provisions hereof, or upon the levy of any execution, attachment or similar process upon the Shares or such rights, the Shares shall, at the election of Staples, be deemed repurchased by Staples at a repurchase price of zero and all rights with respect to the Shares shall be forfeited to Staples. In addition, Staples may seek any other legal or equitable remedies available to it, including rights of specific performance. Staples may refuse to recognize as a shareholder of Staples any purported transferee of or holder of any rights with respect to the Shares and may retain and/or recover all dividends, dividend equivalents and other distributions payable or paid with respect to such Shares.

3. **Vesting of Shares.** Except as otherwise provided in this Agreement, the transfer restrictions on the Shares shall lapse, and the Shares shall be considered to “vest”, on the Vesting Date set forth in the Notice.

4. **Vesting Date.**

(a) **Continuous Relationship with Staples Required.** For purposes of this Agreement, an “Eligible Director” is an individual that is, and has been at all times since the Date of Award, a director of Staples.

(b) **Vesting; Termination of Relationship with Staples.** If the Director ceases to be an Eligible Director for any reason before the Vesting Date, then, except as provided in paragraph (c) below, the Shares shall be deemed repurchased by Staples at a repurchase price of zero and ownership of all right, title and interest in and to the Shares shall be forfeited and revert to Staples on the date such Director ceases to be an Eligible Director. If the Director is an Eligible Director on the Vesting Date, the Shares shall no longer be subject to repurchase/forfeiture as provided in this Section 4. If the Director is on an approved leave of absence, then the Shares shall not be forfeited, unless and until the Director’s position as a director is ultimately terminated.

(c) **Vesting Upon Death or Disability or Retirement.** If the Director (i) dies; (ii) becomes disabled (within the meaning of Section 22(e)(3) of the Code); or (iii) terminates his or her position as a director of Staples upon or after reaching age 72, in each case prior to the Vesting Date, while he or she is an Eligible Director, then the Shares shall no longer be subject to repurchase/forfeiture as provided in this Section 4. In addition and subject to Section 11 of this Agreement, if the Director reaches age 72 before the Vesting Date while he or she is an Eligible Director, a number of Shares that is sufficient to satisfy the Eligible Director’s federal, state or local income and tax obligations with respect to the Shares that are triggered by such event shall no longer be subject to repurchase/forfeiture as provided in this Section 4.

(d) **Repurchase/Forfeiture.** Upon repurchase/forfeiture of the Shares for any reason hereunder, the Director shall cease to have any rights or privileges as a stockholder of Staples with respect to the Shares repurchased/forfeited and such Shares shall again be available for subsequent option grants or awards under the Plan.

STAPLES, INC.
RESTRICTED STOCK AWARD AGREEMENT
(DIRECTORS — INITIAL GRANT)

5. **Delivery of Shares.** Staples shall, upon the Date of Award, effect issuance of the Shares by registering the Shares in book entry form with Staples' transfer agent in the name of the Director. No certificate(s) representing all or a part of the Shares that have not been repurchased/forfeited shall be issued until vesting.

6. **No Rights to Continue as a Director.** Nothing contained in the Plan or this Agreement shall be construed or deemed by any person under any circumstances to bind Staples to continue the relationship of the Director with Staples for the period before or after the Vesting Date.

7. **Rights as a Shareholder.** Except as otherwise provided herein, the Director (a) shall have the right to vote the Shares and act in respect of the Shares at any meeting of shareholders, but (b) shall not have any rights to receive cash dividends with respect to the Shares until vesting.

8. **Adjustment Provisions.**

(a) **General.** In the event of any recapitalization, reclassification of shares, combination of shares, stock dividend, stock split, reverse stock split, spin-off or other similar change in capitalization or event or any distribution to holders of Common Stock other than an ordinary cash dividend, the Director shall, with respect to the Shares, be entitled to the rights and benefits, and be subject to the limitations, set forth in Section 9 of the Plan.

(b) **Board Authority to Make Adjustments.** Any adjustments under this Section 8 will be made by the Board of Directors, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive. No fractional shares will be issued with respect to Shares on account of any such adjustments.

9. **Mergers, Consolidations, Distributions, Liquidations, Etc.** In the event of a merger or consolidation or any share exchange transaction in which outstanding shares of Common Stock are exchanged for securities, cash or other property of any other corporation or business entity, or in the event of a liquidation of Staples, the Director shall, with respect to this Agreement, be entitled to the rights and benefits, and be subject to the limitations, set forth in Section 9 of the Plan.

10. **Vesting Following a Change in Control.**

(a) **Definitions.** For purposes of this Agreement, the following terms shall have the following meanings:

(i) A "Change in Control" shall be deemed to have occurred if (A) any "person", as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") (other than Staples, any trustee or other fiduciary holding securities under an employee benefit plan of Staples, or any corporation owned directly or indirectly by the stockholders of Staples in substantially the same proportion as their ownership of stock of Staples), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Staples representing 30% or more of the combined voting power of Staples' then outstanding securities (other than pursuant to a merger or consolidation described in clause (1) or (2) of subsection (C) below); (B) individuals who, as of the date hereof, constitute the Board of Directors of Staples (as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by Staples' stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Staples, as such terms are used in Regulation 14A under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; (C) the stockholders of Staples approve a merger or consolidation of Staples with any other corporation, and such merger or consolidation is consummated, other than (1) a merger or consolidation which would result in the voting securities of Staples outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 75% of the combined voting power of the voting securities of Staples or such surviving entity outstanding immediately after such merger or consolidation, or (2) a merger or consolidation effected to implement a recapitalization of Staples (or similar transaction) in which no "person" (as defined above)

STAPLES, INC.
RESTRICTED STOCK AWARD AGREEMENT
(DIRECTORS — INITIAL GRANT)

acquires more than 30% of the combined voting power of Staples' then outstanding securities; or (D) the stockholders of Staples approve an agreement for the sale or disposition by Staples of all or substantially all of Staples' assets, and such sale or disposition is consummated.

(ii) "Surviving Corporation" shall mean (x) in the case of a Change in Control pursuant to clause (A) or clause (B) of Section 10(a)(i), Staples; (y) in the case of a Change in Control pursuant to clause (C) of Section 10(a)(i), the surviving or resulting corporation in such merger or consolidation; and (z) in the case of a Change in Control pursuant to Clause (D) of Section 10(a)(i), the entity acquiring the majority of the assets being sold or disposed of by Staples.

(b) **Effect of Change of Control.** Notwithstanding the provisions of Sections 3 and 4, if a Change in Control of Staples occurs, the Shares shall no longer be subject to repurchase/forfeiture as provided in Section 4.

11. **Withholding Taxes.** Notwithstanding anything to the contrary in this Agreement, any provisions providing that the Shares shall no longer be subject to repurchase/forfeiture shall be subject to the Director's satisfaction of all applicable federal, state and local income tax withholding requirements.

12. **Miscellaneous.**

(a) Except as provided herein, this Agreement may not be amended or otherwise modified unless evidenced in writing and signed by Staples and the Director unless the Board of Directors determines that the amendment or modification, taking into account any related action, would not materially and adversely affect the Director.

(b) All notices under this Agreement shall be mailed or delivered by hand to Staples at its main office, Attn: Secretary, and to the Director to his/her last known address on the records of Staples or at such other address as may be designated in writing by either of the parties to one another.

(c) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

Notice of Award of Restricted Stock and Restricted Stock Award Agreement

Staples, Inc.
 Employer ID: 04-2896127
 500 Staples Drive
 Framingham, MA 01702

«FirstName» «LastName»
 «Address1»
 «Address2»
 «City», «State» «Zip»
 «Country»

ACCOUNT ID: «AccountID»

In consideration of services rendered to Staples, Inc., you have been awarded shares of Staples, Inc. Common Stock under Staples, Inc.'s Restricted Stock program as follows:

Restricted Stock Award No.:	«GrantNumber»
Stock Plan:	2004RS
Date of Award:	
Total Number of Shares:	«SharesGranted»
Fair Market Value per Share:	«FairValue»
Total Value of Shares Granted:	
Vesting Date:	

By your acceptance of this Restricted Stock Award, you acknowledge that this award is granted under and governed by the terms and conditions of Staples, Inc.'s Amended and Restated 2004 Stock Incentive Plan (as further amended or restated from time to time) and by the terms and conditions of Staples, Inc.'s Restricted Stock Award Agreement which is attached hereto.

Staples, Inc.

Ronald L. Sargent
 Chairman and Chief Executive Officer

STAPLES, INC.
RESTRICTED STOCK AWARD AGREEMENT
(DIRECTORS)

1. **Award.** In consideration of services rendered, Staples, Inc., a Delaware corporation (“Staples”), hereby awards to the Director named in the Notice of Award (the “Notice”), pursuant to Staples’ Amended and Restated 2004 Stock Incentive Plan (the “Plan”), the Total Number of Shares of Common Stock of Staples stated in the Notice of Award (the “Shares”) subject to the terms and conditions of this Restricted Stock Award Agreement and the Plan. Except where the context otherwise requires, the term “Staples” shall include any parent and all present and future subsidiaries of Staples as defined in Sections 424(e) and 424(f) of the Internal Revenue Code of 1986, as amended or replaced from time to time (the “Code”).

2. **Transferability of Shares.** During the Holding Period described below, the Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of (whether by operation of law or otherwise) nor shall Shares be subject to execution, attachment or similar process, except that the Shares may be transferred by will or the laws of descent and distribution or, upon notice to Staples, for estate planning purposes to entities that are beneficially owned entirely by family members. All transferees of the Shares must agree to be governed by all of the terms and conditions of this Agreement. Upon any sale, transfer, assignment, pledge, hypothecation or other disposition, or any attempt to sell, assign, transfer, pledge, hypothecate or otherwise dispose, of the Shares contrary to the provisions hereof, or upon the levy of any execution, attachment or similar process upon the Shares or such rights, the Shares shall, at the election of Staples, be deemed repurchased by Staples at a repurchase price of zero and all rights with respect to the Shares shall be forfeited to Staples. In addition, Staples may seek any other legal or equitable remedies available to it, including rights of specific performance. Staples may refuse to recognize as a shareholder of Staples any purported transferee of or holder of any rights with respect to the Shares and may retain and/or recover all dividends, dividend equivalents and other distributions payable or paid with respect to such Shares.

3. **Holding Period.** Except as otherwise provided in this Agreement, the Holding Period shall begin on the Date of Award and end when the Director ceases to be an Eligible Director (as defined below).

4. **Vesting Date.**

(a) **Continuous Relationship with Staples Required.** For purposes of this Agreement, an “Eligible Director” is an individual that is, and has been at all times since the Date of Award, a director of Staples.

(b) **Vesting; Termination of Relationship with Staples.** If the Director ceases to be an Eligible Director for any reason before the Vesting Date, then, except as provided in paragraph (c) below, the Shares shall be deemed repurchased by Staples at a repurchase price of zero and ownership of all right, title and interest in and to the Shares shall be forfeited and revert to Staples on the date such Director ceases to be an Eligible Director. If the Director is an Eligible Director on the Vesting Date, the Shares shall no longer be subject to repurchase/forfeiture as provided in this Section 4. If the Director is on an approved leave of absence, then the Shares shall not be forfeited, and the Holding Period shall not terminate, as a result of such leave of absence, unless and until the Director’s position as a director is ultimately terminated.

(c) **Vesting Upon Death or Disability or Retirement.** If the Director (i) dies; (ii) becomes disabled (within the meaning of Section 22(e)(3) of the Code); or (iii) terminates his or her position as a director of Staples upon or after reaching age 72, in each case prior to the Vesting Date, while he or she is an Eligible Director, then the Shares shall no longer be subject to repurchase/forfeiture as provided in this Section 4 and the Holding Period shall terminate. In addition and subject to Section 11 of this Agreement, if the Director reaches age 72 before the Vesting Date while he or she is an Eligible Director, a number of Shares that is sufficient to satisfy the Eligible Director’s federal, state or local income and employment tax obligations with respect to the Shares that are triggered by such event shall no longer be subject to repurchase/forfeiture as provided in this Section 4, and the Holding Period with respect to such number of Shares shall terminate.

(d) **Repurchase/Forfeiture.** Upon repurchase/forfeiture of the Shares for any reason hereunder, the Director shall cease to have any rights or privileges as a stockholder of Staples with

STAPLES, INC.
RESTRICTED STOCK AWARD AGREEMENT
(DIRECTORS)

respect to the Shares repurchased/forfeited and such Shares shall again be available for subsequent option grants or awards under the Plan.

5. **Delivery of Shares.** Staples shall, upon the Date of Award, effect issuance of the Shares by registering the Shares in book entry form with Staples' transfer agent in the name of the Director. No certificate(s) representing all or a part of the Shares that have not been repurchased/forfeited shall be issued until the end of the Holding Period.

6. **No Rights to Continue as a Director.** Nothing contained in the Plan or this Agreement shall be construed or deemed by any person under any circumstances to bind Staples to continue the relationship of the Director with Staples for the period before or after the Vesting Date.

7. **Rights as a Shareholder.** Except as otherwise provided herein, the Director (a) shall have the right to vote the Shares and act in respect of the Shares at any meeting, but (b) shall not have any rights to receive cash dividends with respect to the Shares until vesting.

8. **Adjustment Provisions.**

(a) **General.** In the event of any recapitalization, reclassification of shares, combination of shares, stock dividend, stock split, reverse stock split, spin-off or other similar change in capitalization or event or any distribution to holders of Common Stock other than an ordinary cash dividend, the Director shall, with respect to the Shares, be entitled to the rights and benefits, and be subject to the limitations, set forth in Section 9 of the Plan.

(b) **Board Authority to Make Adjustments.** Any adjustments under this Section 8 will be made by the Board of Directors, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive. No fractional shares will be issued with respect to Shares on account of any such adjustments.

9. **Mergers, Consolidations, Distributions, Liquidations, Etc.** In the event of a merger or consolidation or any share exchange transaction in which outstanding shares of Common Stock are exchanged for securities, cash or other property of any other corporation or business entity, or in the event of a liquidation of Staples, the Director shall, with respect to this Agreement, be entitled to the rights and benefits, and be subject to the limitations, set forth in Section 9 of the Plan.

10. **Vesting Following a Change in Control.**

(a) **Definitions.** For purposes of this Agreement, the following terms shall have the following meanings:

(i) A "Change in Control" shall be deemed to have occurred if (A) any "person", as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") (other than Staples, any trustee or other fiduciary holding securities under an employee benefit plan of Staples, or any corporation owned directly or indirectly by the stockholders of Staples in substantially the same proportion as their ownership of stock of Staples), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Staples representing 30% or more of the combined voting power of Staples' then outstanding securities (other than pursuant to a merger or consolidation described in clause (1) or (2) of subsection (C) below); (B) individuals who, as of the date hereof, constitute the Board of Directors of Staples (as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by Staples' stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Staples, as such terms are used in Regulation 14A under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; (C) the stockholders of Staples approve a merger or consolidation of Staples with any other corporation, and such merger or consolidation is consummated, other than (1) a merger or consolidation which would result in the voting securities of Staples outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 75%

STAPLES, INC.
RESTRICTED STOCK AWARD AGREEMENT
(DIRECTORS)

of the combined voting power of the voting securities of Staples or such surviving entity outstanding immediately after such merger or consolidation, or (2) a merger or consolidation effected to implement a recapitalization of Staples (or similar transaction) in which no "person" (as defined above) acquires more than 30% of the combined voting power of Staples' then outstanding securities; or (D) the stockholders of Staples approve an agreement for the sale or disposition by Staples of all or substantially all of Staples' assets, and such sale or disposition is consummated.

(ii) "Surviving Corporation" shall mean (x) in the case of a Change in Control pursuant to clause (A) or clause (B) of Section 10(a)(i), Staples; (y) in the case of a Change in Control pursuant to clause (C) of Section 10(a)(i), the surviving or resulting corporation in such merger or consolidation; and (z) in the case of a Change in Control pursuant to Clause (D) of Section 10(a)(i), the entity acquiring the majority of the assets being sold or disposed of by Staples.

(b) **Effect of Change of Control.** Notwithstanding the provisions of Sections 3 and 4, if a Change in Control of Staples occurs, the Shares shall no longer be subject to repurchase/forfeiture as provided in Section 4 and the Holding Period shall terminate.

11. **Withholding Taxes.** Notwithstanding anything to the contrary in this Agreement, any provisions providing that the Shares shall no longer be subject to repurchase/forfeiture or that the Holding Period shall terminate shall be subject to the Director's satisfaction of all applicable federal, state and local income tax withholding requirements.

12. **Miscellaneous.**

(a) Except as provided herein, this Agreement may not be amended or otherwise modified unless evidenced in writing and signed by Staples and the Director unless the Board of Directors determines that the amendment or modification, taking into account any related action, would not materially and adversely affect the Director.

(b) All notices under this Agreement shall be mailed or delivered by hand to Staples at its main office, Attn: Secretary, and to the Director to his/her last known address on the records of Staples or at such other address as may be designated in writing by either of the parties to one another.

(c) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

Restricted Stock Award Agreement

Staples, Inc.

Employer ID: 04-2896127
 500 Staples Drive
 Framingham, MA 01702

ACCOUNT ID:
 LOCATION:

«FirstName» «MiddleName» «LastName»
 «Address1»
 «Address2»
 «Address3»
 «City», «State» «Zip»
 «Country»

In consideration of services rendered to Staples, Inc., you have been awarded restricted shares of Staples' Common Stock under Staples, Inc.'s Amended and Restated 2004 Stock Incentive Plan, as follows:

Award No.:	
Stock Option Plan:	2004RS
Date of Grant:	
Total Number of Shares:	
Fair Market Value per Share:	\$
Total Value of Shares Granted:	\$

Vesting Date	Number of Shares Vesting on Vesting Date

By your acceptance of this Restricted Stock Award, you acknowledge that this award is granted under and governed by the terms and conditions of Staples, Inc.'s Amended and Restated 2004 Stock Incentive Plan (as further amended or restated from time to time) and by the terms and conditions of Staples, Inc.'s Restricted Stock Award Agreement as attached.

You understand and agree that this Restricted Stock Award is being granted to you in exchange for your execution of a Non-Compete and Non-Solicitation Agreement in a form approved by Staples.

Staples, Inc.

Ronald L. Sargent
 Chairman and Chief Executive Officer

Attachment: Staples, Inc. Restricted Stock Award Agreement

1. **Award.** In consideration of services rendered, Staples, Inc., a Delaware corporation (“Staples”), hereby awards to the Associate named in the accompanying Notice of Award of Restricted Stock (the “Notice”), pursuant to Staples’ Amended and Restated 2004 Stock Incentive Plan (the “Plan”), the Total Number of Shares of Common Stock of Staples stated in the Notice (the “Shares”) subject to the terms and conditions of this Restricted Stock Award Agreement and the Plan. Except where the context otherwise requires, the term “Staples” shall include any parent and all present and future subsidiaries of Staples as defined in Sections 424(e) and 424(f) of the Internal Revenue Code of 1986, as amended or replaced from time to time (the “Code”).

2. **Transferability of Shares.** Until the Vesting Date described below, the Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of (whether by operation of law or otherwise) nor shall the Shares be subject to execution, attachment or similar process, except that the Shares may be transferred by will or the laws of descent and distribution or, upon notice to Staples, for estate planning purposes to entities that are beneficially owned entirely by family members. All transferees of the Shares must agree to be governed by all of the terms and conditions of this Agreement. Upon any sale, transfer, assignment, pledge, hypothecation or other disposition, or any attempt to sell, assign, transfer, pledge, hypothecate or otherwise dispose, of the Shares contrary to the provisions hereof, or upon the levy of any execution, attachment or similar process upon the Shares or such rights, the Shares shall, at the election of Staples, be deemed repurchased by Staples at a repurchase price of zero and all rights with respect to the Shares shall be forfeited to Staples. In addition, Staples may seek any other legal or equitable remedies available to it, including rights of specific performance. Staples may refuse to recognize as a shareholder of Staples any purported transferee or holder of any rights with respect to the Shares and may retain and/or recover all dividends payable or paid with respect to such Shares.

3. **Vesting of Shares.** Except as otherwise provided in this Agreement, the transfer restrictions on the Shares shall lapse, and the Shares shall be considered to “vest”, on the Vesting Date set forth in the Notice.

4. **Vesting Date.**

(a) Continuous Relationship with Staples Required. Except as otherwise provided in this Section 4, the Shares shall not vest unless the Associate is, and has been at all times since the Date of Award set forth in the Notice, an employee of, or a consultant to, Staples (an “Eligible Associate”). In addition, the Shares shall not vest during any period that the Associate is suspended for an offense which could lead to a termination by Staples for “cause” (as defined below).

(b) Termination of Relationship with Staples. If the Associate ceases to be an Eligible Associate for any reason prior to the Vesting Date, then, except as provided in paragraph (c) and (d) below, the Shares shall be deemed repurchased by Staples at a repurchase price of zero and ownership of all right, title and interest in and to the Shares shall be forfeited and revert to Staples on the date such Associate ceases to be an Eligible Associate. If the Associate is an employee on an approved leave of absence, then the Shares shall not be forfeited as a result of such leave of absence unless and until the Associate’s employment relationship is ultimately terminated

(c) Vesting Upon Death or Disability or Retirement. If the Associate (i) dies; (ii) becomes disabled (within the meaning of Section 22(e)(3) of the Code); or (iii) terminates employment on or after the Rule of 65 Qualification Date (defined below), in each case prior to the Vesting Date while he or she is an Eligible Associate, then the Shares shall vest in full. For purposes of this Section 4(c), the “Rule of 65 Qualification Date” shall mean the first Quarterly Measurement Date (defined below) to occur on or after both (A) the Date of Award and (B) the date that the Associate has attained age 55 and the sum of the years of service (as determined by the Board of Directors of Staples) completed by the Associate plus the Associate’s age is greater than or equal to 65. For purposes of this Section 4(c), the “Quarterly Measurement Date” means the sixth Thursday following the end of each fiscal quarter. In addition and subject to Section 11 of this Agreement, on the Eligible Associate’s Rule of 65 Qualification Date, a number of unvested Shares that is sufficient to satisfy the Eligible Associate’s federal, state or local income and employment tax obligations with respect to the Shares that are triggered by virtue of the Eligible Associate satisfying the conditions of the Rule of 65 Qualification Date shall vest in full, provided that Staples may only withhold a number of such vested Shares that is necessary to meet the minimum federal, state or local income and employment tax withholding requirements.

(d) Termination for Cause. If (a) the Associate’s relationship with Staples is terminated by Staples for “cause” (as defined below), or (b) if the Associate retires or resigns and Staples determines within six months thereafter that the Associate’s conduct prior to his or her retirement or resignation warranted a discharge for “cause,” or (c) Staples determines that the Associate’s conduct after termination of the employment or consulting relationship fails to comply with the terms of any non-competition, non-solicitation or confidentiality provision contained in any employment, consulting, advisory, proprietary information, non-disclosure, non-competition, non-solicitation or other similar agreement between the Associate and Staples, then, without limiting any other remedy available to Staples, the Shares shall be deemed repurchased by Staples at a repurchase price of zero and ownership of all right, title and interest in and to the Shares shall be forfeited and revert to Staples as of the date of such determination; or, if the Associate at such time no longer owns such Shares, Staples shall be entitled to recover from the Associate the gross profit earned by the Associate upon the disposition (whether by sale, gift, donation or otherwise) of such Shares.

“Cause,” as determined by Staples (which determination shall be conclusive), shall mean:

(i) willful failure by the Associate to substantially perform his or her duties with Staples (other than any failure resulting from incapacity due to physical or mental illness); provided, however, that Staples has given the Associate a written demand for substantial performance, which specifically identifies the areas in which the Associate’s performance is substandard, and the Associate has not cured such failure within 30 days after delivery of the demand. No act or failure to act on the Associate’s part will be deemed “willful” unless the Associate acted or failed to act without a good faith or reasonable belief that his or her conduct was in Staples’ best interest; or

(ii) breach by the Associate of any provision of any employment, consulting, advisory, proprietary information, non-disclosure, non-competition, non-solicitation or other similar agreement between the Associate and Staples, including, without limitation, the Proprietary and Confidential Information Agreement and/or the Non-Compete and Non-Solicitation Agreement; or

(iii) violation by the Associate of the Code of Ethics or an attempt by the Associate to secure any improper personal profit in connection with the business of Staples; or

(iv) failure by the Associate to devote his or her full working time to the affairs of Staples except as may be authorized in writing by Staples’ CEO or other authorized Company official; or

(v) the Associate’s engagement in business other than the business of Staples except as may be authorized in writing by Staples’ CEO or other authorized Company official; or

(vi) the Associate’s engagement in misconduct which is demonstrably and materially injurious to Staples.

(e) **Repurchase/Forfeiture.** Upon repurchase/forfeiture of the Shares for any reason hereunder, the Associate shall cease to have any rights or privileges as a stockholder of Staples with respect to the Shares repurchased/forfeited and such Shares shall again be available for subsequent option grants or awards under the Plan.

5. **Delivery of Shares.** Staples shall, upon the Date of Award, effect issuance of the Shares by registering the Shares in book entry form with Staples’ transfer agent in the name of the Associate. No certificate(s) representing all or a part of the Shares shall be issued until vesting.

6. **No Special Employment or Similar Rights.** Nothing contained in the Plan or this Agreement shall be construed or deemed by any person under any circumstances to bind Staples to continue the employment or other relationship of the Associate with Staples for the period prior to or after vesting.

7. **Rights as a Shareholder.** Except as otherwise provided herein, the Associate (a) shall have the right to vote the Shares and act in respect of the Shares at any meeting of shareholders, but (b) shall not have any rights to receive cash dividends with respect to the Shares until vesting.

8. **Adjustment Provisions.**

(a) **General.** In the event of any recapitalization, reclassification of shares, combination of shares, stock dividend, stock split, reverse stock split, spin-off or other similar change in capitalization or event or any distribution to holders of Common Stock other than an ordinary cash dividend, the Associate shall, with respect to the Shares, be entitled to the rights and benefits, and be subject to the limitations, set forth in Section 9(a) of the Plan.

(b) **Board Authority to Make Adjustments.** Any adjustments under this Section 8 will be made by the Board of Directors, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive. No fractional shares will be issued with respect to Shares on account of any such adjustments.

9. **Mergers, Consolidations, Distributions, Liquidations, Etc.** In the event of a merger or consolidation or any share exchange transaction in which outstanding shares of Common Stock are exchanged for securities, cash or other property of any other corporation or business entity, or in the event of a liquidation of Staples, the Associate shall, with respect to this Agreement, be entitled to the rights and benefits, and be subject to the limitations, set forth in Section 9 of the Plan.

10. **Vesting Following a Change in Control.**

(a) **Definitions.** For purposes of this Agreement, the following terms shall have the following meanings:

(i) A “Change in Control” shall be deemed to have occurred if (A) any “person”, as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) (other than Staples, any trustee or other fiduciary holding securities under an employee benefit plan of Staples, or any corporation owned directly or indirectly by the stockholders of Staples in substantially the same proportion as their ownership of stock of

Staples), is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Staples representing 30% or more of the combined voting power of Staples’ then outstanding securities (other than pursuant to a merger or consolidation described in clause (1) or (2) of subsection (C) below); (B) individuals who, as of the date hereof, constitute the Board of Directors of Staples (as of the date hereof, the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board of Directors, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by Staples’ stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Staples, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; (C) the stockholders of Staples approve a merger or consolidation of Staples with any other corporation, and such merger or consolidation is consummated, other than (1) a merger or consolidation which would result in the voting securities of Staples outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 75% of the combined voting power of the voting securities of Staples or such surviving entity outstanding immediately after such merger or consolidation, or (2) a merger or consolidation effected to implement a recapitalization of Staples (or similar transaction) in which no “person” (as defined above) acquires more than 30% of the combined voting power of Staples’ then outstanding securities; or (D) the stockholders of Staples approve an agreement for the sale or disposition by Staples of all or substantially all of Staples’ assets, and such sale or disposition is consummated.

(ii) “Surviving Corporation” shall mean (x) in the case of a Change in Control pursuant to clause (A) or clause (B) of Section 10(a)(i), Staples; (y) in the case of a Change in Control pursuant to clause (C) of Section 10(a)(i), the surviving or resulting corporation in such merger or consolidation; and (z) in the case of a Change in Control pursuant to Clause (D) of Section 10(a)(i), the entity acquiring the majority of the assets being sold or disposed of by Staples.

(b) Effect of Change in Control. Notwithstanding the provisions of Section 3(a), if a Change in Control of Staples occurs, the Shares shall become vested as follows:

(i) If, upon the Change in Control, the Associate

(A) is not offered employment with the Surviving Corporation (or is not allowed to continue his or her employment, if the Surviving Corporation is Staples) in a position (1) in which the title, employment duties and responsibilities, conditions of employment, and the level of compensation and benefits are at least equivalent to those in effect during the 90-day period immediately preceding the Change in Control and (2) that does not involve a relocation of the Associate’s principal place of employment of more than an additional 50 miles from his or her primary residence at the time of the Change in Control, and

(B) does not accept (or continue) employment with the Surviving Corporation (regardless of position, compensation or location) (other than as a result of retirement), or

(ii) If, within one year following the date of the Change in Control, the Associate either

(A) is discharged without cause (as defined in Section 4(d)) or

(B) resigns or retires because his or her title or employment duties and responsibilities are diminished, his or her conditions of employment are adversely changed, the level of his or her compensation and benefits are reduced, or his or her principal place of employment is relocated by more than an additional 50 miles from his or her primary residence at the time of the Change in Control, then the vesting of Shares shall be accelerated such that all of Shares shall vest effective upon the date of such discharge, resignation or retirement (which shall be considered a Vesting Date hereunder).

11. **Withholding Taxes.** Staples’ obligation to vest the Shares shall be subject to the Associate’s satisfaction of all applicable federal, state and local income and employment tax withholding requirements. Staples may deduct any such tax obligations from any payment of any kind otherwise due to the Associate, including salary and bonus payments, and may withhold or sell a sufficient number of Shares on behalf of the Associate to satisfy such tax obligations.

12. **Miscellaneous.**

(a) Except as provided herein, this Agreement may not be amended or otherwise modified unless evidenced in writing and signed by Staples and the Associate unless the Board of Directors determines that the amendment or modification, taking into account any related action, would not materially and adversely affect the Associate.

(b) All notices under this Agreement shall be mailed or delivered by hand to Staples at its main office, Attn: Secretary, and to the Associate to his or her last known address on the employment records of Staples or at such other address as may be designated in writing by either of the parties to one another.

(c) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

**Form of
Severance Benefits Agreement**

[Mr/Ms Name]
[Address]
[City, State ZIP]

Dear [Name]:

You are or are about to become employed by Staples, Inc. and/or one of its subsidiaries (“Staples”). Staples agrees to provide you with the severance benefits set forth in this letter agreement (the “Agreement”) if your employment is terminated under the circumstances described below:

1. Term of Agreement. The term of this Agreement shall begin on the date it is signed and shall continue in full force and effect until such time as you or Staples has delivered to the other 90-days advance written notice of your or its election to terminate this Agreement. This Agreement is not a contract to employ you for a definite time period, it being acknowledged that your employment is “at will” and that either you or Staples may terminate the employment relationship at any time.

2. Notice of Termination and other Matters. Any termination of your employment, whether by you or Staples, will be communicated by written notice (“Notice of Termination”) to the other party. The Notice of Termination will specify the provisions of this Agreement, if any, upon which termination is based and its effective date, which in no case will be more than 180 days after the Notice of Termination. All notices and communications provided for in this Agreement will be in writing and will be effective when delivered or mailed by U.S. registered or certified mail, return receipt requested, postage prepaid, addressed to the Chairman of Staples, 500 Staples Drive, Framingham, MA 01702, and to you at the address shown above or to such other address as either Staples or you may have furnished to the other in writing.

3. Compensation Upon Termination. In addition to any earned but unpaid base salary, and any accrued but unused vacation, Staples will provide you with the severance benefits listed below in the event of a Qualified Termination. A “Qualified Termination” means your employment is terminated for any reason other than because (i) you die or become Disabled, (ii) Staples terminates you for “Cause,” or (iii) you resign or retire without “Good Reason.”

(a) Staples will pay you 12 months severance pay, in equal monthly installments. Your monthly severance payments will equal the sum of (i) your monthly base salary rate in effect immediately prior to the Qualified Termination (or any higher rate in effect within the 90 days prior to the Notice of Termination) plus (ii) one-twelfth of an amount equal to the average annual bonus paid to you by Staples during the three full fiscal years preceding such Qualified Termination. Annual salary rates will be prorated where applicable and annual bonus averages will be computed on years available if less than three years. Any partial year bonus you have

been paid will be annualized. In the event your Qualified Termination occurs within your first year of employment prior to being paid a bonus, the bonus related portion of your severance payment shall equal one twelfth of an amount equal to your target bonus amount for the fiscal year during which your Qualified Termination occurs.

(b) Staples will provide you with 12 months of coverage (the "Severance Period") under the medical, dental, vision, health care flexible spending account, basic life, and long-term care plans, if any, in which you are presently enrolled at the time of your termination on terms substantially similar to those available to similarly situated associates, and you will be required to pay the same portion of the premium that you pay while you are employed. However, if you first become covered during the Severance Period under a group medical, dental, vision or health care flexible spending account through another employer (including, for example, a spouse's employer) that does not contain any exclusion or limitation regarding pre-existing conditions, then Staples' obligation under the Consolidated Omnibus Budget Reconciliation Act (COBRA) with respect to the relevant plan(s) shall cease and Staples' coverage will terminate upon you receiving such coverage. Should you obtain basic life or long-term care coverage through another employer during the Severance Period, then Staples' premium payment obligations for the relevant plan(s) will terminate upon you receiving such coverage. These months of coverage shall count toward your period of coverage under the COBRA; however, basic life and long-term care insurance are not benefits that are eligible for continued coverage under COBRA.

(c) The vesting schedule of any outstanding options to purchase shares of Staples' Common Stock, shares of restricted Staples' Common Stock and/or any other equity-based awards will not be accelerated in the event of a Qualified Termination, unless specifically provided to the contrary in the respective option, restricted stock or other equity agreements.

(d) Subject to the limitations in Section 3(b), Staples will provide you with 6 additional months of the benefits set forth in paragraphs (a) and (b) above if such Qualified Termination is within two years after a Change in Control.

(e) You and Staples intend that this Agreement comply with the requirements of Section 409A of the Internal Revenue Code ("Section 409A") so that any payments and benefits provided by the Agreement do not subject you to penalty taxes and interest imposed for noncompliance with Section 409A. Accordingly, the following rules shall apply with respect to the payments and benefits, to be provided to you under this Agreement:

(i) Each installment of the payments and benefits provided under this Agreement shall be treated as a "separate payment" for purposes of Section 409A. Neither Staples nor you shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A;

(ii) The provision of the benefits described in Section 3(b) shall be treated as exempt "reimbursements and certain other separation payments" within the meaning of Treasury Regulation Section 1.409A-1(b)(9)(v), and any reimbursement or payment with respect to such benefits shall be made not later than December 31 of the second calendar year following the calendar year in which you are terminated;

(iii) If, as of the date of your “separation from service” from Staples, you are not a “specified employee” (each within the meaning of Section 409A which generally defines a “specified employee” as an employee who is among Staples’ 50 most highly compensated officers), then each installment of the payments and benefits shall be made on the dates and terms set forth in this Agreement; and

(iv) If, as of the date of your “separation from service” from Staples, you are a “specified employee,” then:

(A) Each installment of the payments and benefits due under this Agreement that, in accordance with the dates and terms set forth herein, will in all circumstances, regardless of when the separation from service occurs, be paid within the Short-Term Deferral Period (as hereinafter defined) shall be treated as a short-term deferral within the meaning of Treasury Regulation Section 1.409A-1(b)(4) to the maximum extent permissible under Section 409A. For purposes of this Agreement, the “Short-Term Deferral Period” means the period ending on the later of the 15th day of the third month following the end of your tax year in which your separation from service occurs and the 15th day of the third month following the end of Staples’ tax year in which your separation from service occurs; and

(B) Each installment of the payments and benefits due under this Agreement that is not paid within the Short-Term Deferral Period and that would, absent this subsection, be paid within the six-month period following your “separation from service” from Staples shall not be paid until the date that is six months and one day after such separation from service (or, if earlier, your date of death), with any such installments that are required to be delayed being accumulated during the six-month period and paid in a lump sum on the date that is six months and one day following your separation from service and any subsequent installments, if any, being paid in accordance with the dates and terms set forth herein; provided, however, that the preceding provisions of this sentence shall not apply to any installment of payments and benefits if and to the maximum extent that such installment is deemed to be paid under a “separation pay plan” (within the meaning of Section 409A) that does not provide for a deferral of compensation by reason of the application of Treasury Regulation Section 1.409A-1(b)(9)(iii) (relating to separation pay upon an involuntary separation from service). Any such delayed payments shall bear interest from the date of your separation from service to the date of payment at an annual rate equal to the prime rate as set forth in the Eastern edition of The Wall Street Journal on the date of your separation from service.

(v) You and Staples further agree to make such revisions to this Agreement as may be required to conform the provisions of the Agreement to the requirements of Section 409A and any regulations or other Internal Revenue Service guidance issued thereunder. Staples shall have no liability for any tax or penalty imposed on you by Section 409A.

You will not be entitled to any of the compensation or benefits set forth in this Section 3 if Staples determines, within 60 days after your termination, that your conduct prior to your termination would have warranted a discharge for “Cause,” or if, after your termination, you have violated the terms of any non-competition or confidentiality provision contained in any

employment, consulting, advisory, non-disclosure, non-competition or other similar agreement between you and Staples.

4. **Definitions.** For the purposes of this Agreement, the terms listed below are defined as follows:

(a) **Change in Control.** A “Change in Control” will be deemed to have occurred only if any of the following events occur:

(i) any “person,” as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), (other than Staples, any trustee or other fiduciary holding securities under an employee benefit plan of Staples, or any corporation owned directly or indirectly by the stockholders of Staples in substantially the same proportion as their ownership of stock of Staples) is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Staples representing 30% or more of the combined voting power of Staples’ then outstanding securities;

(ii) individuals who constitute the Board (as of the date hereof, the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by Staples’ stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Staples, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) will be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

(iii) the stockholders of Staples approve a merger or consolidation of Staples with any other corporation, and such merger or consolidation is consummated, other than (A) a merger or consolidation which would result in the voting securities of Staples outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 75% of the combined voting power of the voting securities of Staples or such surviving entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of Staples (or similar transaction) in which no “person” (as hereinabove defined) acquires more than 50% of the combined voting power of Staples’ then outstanding securities; or

(iv) the stockholders of Staples approve a plan of complete liquidation of Staples or an agreement for the sale or disposition by Staples of all or substantially all of Staples’ assets.

(b) **Disabled.** You are “disabled” for the purposes of this Agreement, if you have been absent from the full-time performance of your duties with Staples for six (6) consecutive months because of incapacity due to physical or mental illness, and, within thirty (30) days after being sent a written Notice of Termination, you fail to resume performance of your essential job duties, with or without reasonable accommodation.

(c) **Cause.** A termination for “Cause” by Staples will occur whenever:

(i) you willfully fail to substantially perform your duties with Staples (other than any failure resulting from incapacity due to physical or mental illness); provided, however, that Staples has given you a written demand for substantial performance, which specifically identifies the areas in which your performance is substandard, and you have not cured such failure within 30 days after delivery of the demand. No act or failure to act on your part will be deemed “willful” unless you acted or failed to act without a good faith or reasonable belief that your conduct was in Staples’ best interest.

(ii) you breach any of the terms of the Proprietary and Confidential Information Agreement or Non-Competition Agreement (or other similar agreement) between you and Staples, or

(iii) you violate the Code of Ethics or attempt to secure any improper personal profit in connection with the business of Staples, or

(iv) you fail to devote your full working time to the affairs of Staples except as may be authorized in writing by Staples’ CEO or other authorized Company official, or

(v) you engage in business other than the business of Staples except as may be authorized in writing by Staples’ CEO or other authorized Company official, or

(vi) you engage in misconduct which is demonstrably and materially injurious to Staples;

provided that in each case Staples has given you written notice of its intent to terminate your employment under this Section 5(c) and an opportunity to present, in person, to the Executive Vice President of Human Resources or any other authorized Company official, any objections you may have to such termination.

(d) **Good Reason.** A termination by you for “Good Reason” will occur whenever any of the following conditions occur without your written consent, and such condition results in a material negative change to you in your employment relationship with Staples:

(i) your position, duties, responsibilities, power, title or office is significantly diminished (a change in your reporting relationship, standing alone, shall not be deemed significant);

(ii) your annual base salary is reduced;

(iii) you are not allowed to participate in a cash bonus program in a manner substantially consistent with past practice in light of Staples’ financial performance and attainment of your specified goals, your participation in any other material compensation plan (other than any stock option or stock award program which programs are within the full discretion of the Compensation Committee) is substantially reduced, both in terms of the amount of benefits provided and the level of participation relative to other participants;

(iv) you are not provided with paid vacation or other benefits substantially similar to those enjoyed by you under any of Staples' medical, dental, life insurance, or disability plans in which you were participating, or Staples took any action which would directly or indirectly materially reduce any of such benefits or the number of your paid vacation days;

(v) in the event of a Change in Control, Staples or any person in control of Staples requires you to perform your principal duties in a new location outside a radius (measured from your primary residence) that is extended an additional 50 miles further from your primary residence at the time of the Change in Control; or

(vi) Staples fails to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5.

Notwithstanding the foregoing, any general reduction of salary or reduction (or elimination) of other compensation, bonus and/or benefits for its officers which are substantially comparable for all such officers (*other than a reduction occurring within 24 months after a Change of Control*) will not be considered "Good Reason."

In each such case, a termination by you for Good Reason may occur only if (1) you have given Staples a Notice of Termination (as defined in Section 2) that specifies the existence of a condition giving rise to Good Reason and Staples has not cured the condition giving rise to Good Reason within 30 days after receipt of your Notice of Termination, (2) you provide the Notice of Termination to Staples within 90 days after the initial occurrence of the condition giving rise to your Good Reason, and (3) your termination for Good Reason occurs no later than 180 days after you give Notice of Termination.

5. Successors: Binding Agreement. Staples will require any successor (whether direct, indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of its business or assets expressly to assume and agree to perform this Agreement to the same extent that Staples would be required to perform it if no such succession had taken place. Any failure to obtain an assumption of this Agreement prior to the effectiveness of any succession will be a breach of this Agreement and will entitle you to compensation in the same amount and on the same terms as you would be entitled hereunder. As used in this Agreement, "Staples" means Staples as defined above and any successor to its business or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise. This Agreement will inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, will be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or if there is no such designee, to your estate.

6. Arbitration. The parties agree that any legal disputes (including but not limited to claims arising under federal or state statute, contract, tort, or public policy) that may occur between you and Staples, and that arise out of, or are related in any way to, your employment with or termination of employment from Staples or the termination of this Agreement, and which

disputes cannot be resolved informally, will be resolved exclusively through final and binding arbitration. The parties will be precluded from raising in any other forum, including, but not limited to, any federal or state court of law, or equity, any claim which could be raised in arbitration; provided, however that nothing in this Agreement precludes you from filing a charge or from participating in an administrative investigation of a charge before an appropriate government agency or Staples from initiating an arbitration over a matter covered by this Agreement.

Each party may demand arbitration, no later than three hundred (300) days after the date on which the claim arose, by submitting to the other party a written demand which states: (i) the claim asserted, (ii) the facts alleged, (iii) the applicable statute or principal of law (e.g., breach of contract) upon which the demand is based, and (iv) the remedy sought. Any response to such demand must be made, in writing, within twenty (20) days after receiving the demand, and will specifically admit or deny each factual allegation.

The arbitration will be conducted in accordance with the Rules for Employment Arbitration of the American Arbitration Association (AAA) and any arbitration will take place in Framingham, Massachusetts. Each party will bear its own costs and attorney's fees. The arbitrator will have the power to award any types of legal or equitable relief that would be available in a court of competent jurisdiction, including, but not limited to, the costs of arbitration, attorney's fees, emotional distress damages, and punitive damages for causes of action when such damages are available under law. Any relief or recovery to which you are entitled from any claims arising out of your employment, termination, or any claim of unlawful discrimination will be limited to that awarded by the arbitrator.

7. **Waiver of Jury Trial.** If any claim arising out of your employment or termination is found not to be subject to final and binding arbitration, the parties agree to waive any right to a jury trial if such claim is filed in court.

8. **Miscellaneous.**

(a) The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement, which will remain in full force and effect.

(b) The validity, interpretation, construction and performance of this Agreement will be governed by the laws of the Commonwealth of Massachusetts.

(c) No waiver by you or Staples at any time of any breach of, or compliance with, any provision of this Agreement to be performed by Staples or you, respectively, will be deemed a waiver of that or any other provision at any subsequent time.

(d) You must execute a legally enforceable separation agreement and general release in a form acceptable to Staples prior to the receipt of any payments or benefits set forth above. Any payments made to you will be paid net of any applicable withholding required under federal, state or local law.

(e) This Agreement is the exclusive agreement with respect to the severance benefits payable to you in the event of a termination of your employment. All prior negotiations and agreements are hereby merged into this Agreement.

If this Agreement sets forth our agreement, kindly sign and return to Staples the enclosed copy of this Agreement.

Sincerely,

STAPLES, INC.

[Executive] Vice President, Human Resources

I have been advised of my right to consult with counsel regarding this Agreement and have decided to sign below knowingly, voluntarily, and free from duress or coercion.

Agreed to this day of , 200

(Associate Signature)

STAPLES, INC.

INDEMNIFICATION AGREEMENT

This Agreement is made as of the _____ day of _____, 2008, by and between Staples, Inc., a Delaware corporation (the "Corporation"), and _____ (the "Indemnitee"), a director or officer of the Corporation.

WHEREAS, it is essential to the Corporation to retain and attract as directors and officers the most capable persons available, and

WHEREAS, the increase in corporate litigation subjects directors and officers to expensive litigation risks, and

WHEREAS, it is now and has always been the policy of the Corporation to indemnify its directors and officers, and

WHEREAS, the Corporation desires the Indemnitee to serve, or continue to serve, as a director or officer of the Corporation.

NOW THEREFORE, the Corporation and the Indemnitee do hereby agree as follows:

1. Definitions. As used in this Agreement:

(a) The term "Change in Control" shall mean the occurrence of any one of the following:

(i) individuals who, on the date of this Agreement, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date of this Agreement whose election or nomination for election was approved by a vote of at least a majority of the Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Corporation in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Corporation as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(ii) any "person" (as such term is defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 50% or more of the combined voting power of the Corporation's then outstanding securities eligible to vote for the election of the Board (the "Corporation Voting Securities"); provided, however, that the event described in this paragraph (ii) shall not be deemed to be a Change in Control by virtue of

any of the following acquisitions: (A) by the Corporation or any subsidiary, (B) by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any subsidiary, (C) by any underwriter temporarily holding securities pursuant to an offering of such securities, (D) pursuant to a Non-Qualifying Transaction, as defined in paragraph (iii), or (E) by any person of Voting Securities from the Corporation, if a majority of the Incumbent Board approves in advance the acquisition of beneficial ownership of 50% or more of Corporation Voting Securities by such person;

(iii) the consummation of a merger, consolidation, statutory share exchange, reorganization or similar form of corporate transaction involving the Corporation or any of its subsidiaries that requires the approval of the Corporation's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the corporation resulting from such Business Combination (the "Surviving Corporation"), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by Corporation Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Corporation Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Corporation Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation), is or becomes the beneficial owner, directly or indirectly, of 35% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) and (C) at least half of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "Non-Qualifying Transaction");

(iv) the stockholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation;

(v) the consummation of a sale of all or substantially all of the Corporation's assets; or

(vi) the occurrence of any other event that the Board determines by a duly approved resolution constitutes a Change in Control.

(b) The term "Corporate Status" shall mean the status of a person who is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer, fiduciary, partner, trustee, member, employee or agent of, or in a similar capacity with, another corporation, partnership, joint venture, trust, limited liability company or other enterprise.

(c) The term "Expenses" shall include, without limitation, reasonable attorneys' fees, retainers, court costs, transcript costs, fees and expenses of experts, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and other disbursements or expenses of the types customarily incurred in connection with investigations, judicial or administrative proceedings or appeals and which are consistent with those paid by the Corporation in accordance with its General and Billing Guidelines for Outside Counsel (which upon request will be provided to the Indemnitee), but shall not include the amount of judgments, fines or penalties against Indemnitee or amounts paid in settlement in connection with such matters.

(d) The term "Independent Counsel" shall mean a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither currently is, nor in the past five years has been, retained to represent: (i) the Corporation or the Indemnitee in any matter material to either such party or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Corporation or the Indemnitee in an action to determine the Indemnitee's rights under this Agreement. The Corporation agrees to pay the Expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(e) References to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Agreement.

(f) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternative dispute resolution proceeding, administrative hearing or other proceeding, whether brought by or in the right of the Corporation or otherwise and whether of a civil, criminal, administrative or investigative nature, and any appeal therefrom.

2. Indemnity of Indemnitee. The Corporation shall indemnify the Indemnitee in connection with any Proceeding as to which the Indemnitee is, was or is threatened to be made a party (or is otherwise involved) by reason of the Indemnitee's Corporate Status, to the fullest extent permitted by law (as such may be amended from time to time). In furtherance of the foregoing and without limiting the generality thereof:

(a) Indemnification in Third-Party Proceedings. The Corporation shall indemnify the Indemnitee in accordance with the provisions of this Section 2(a) if the Indemnitee was or is a party to or threatened to be made a party to or otherwise involved in any Proceeding (other than a Proceeding by or in the right of the Corporation to procure a judgment in its favor

or a Proceeding referred to in Section 5 below) by reason of the Indemnitee's Corporate Status or by reason of any action alleged to have been taken or omitted in connection therewith, against all Expenses, judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by or on behalf of the Indemnitee in connection with such Proceeding, if the Indemnitee acted in good faith and in a manner which the Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal Proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

(b) Indemnification in Proceedings by or in the Right of the Corporation. The Corporation shall indemnify the Indemnitee in accordance with the provisions of this Section 2(b) if the Indemnitee was or is a party to or threatened to be made a party to or otherwise involved in any Proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the Indemnitee's Corporate Status or by reason of any action alleged to have been taken or omitted in connection therewith, against all Expenses and, to the extent permitted by law, amounts paid in settlement actually and reasonably incurred by or on behalf of the Indemnitee in connection with such Proceeding, if the Indemnitee acted in good faith and in a manner which the Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that, if applicable law so requires, no indemnification shall be made under this Section 2(b) in respect of any claim, issue or matter as to which the Indemnitee shall have been adjudged to be liable to the Corporation, unless, and only to the extent, that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such Expenses as the Court of Chancery or such other court shall deem proper.

3. Indemnification of Expenses of Successful Party. Notwithstanding any other provision of this Agreement, to the extent that the Indemnitee has been successful, on the merits or otherwise, in defense of any Proceeding or in defense of any claim, issue or matter therein (other than a Proceeding referred to in Section 5), the Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by or on behalf of the Indemnitee in connection therewith. In the event any attorneys' fees, costs or expenses are awarded to the Indemnitee in the successful defense of any Proceeding or in defense of any claim, issue or matter, the Indemnitee will promptly reimburse the Corporation for such fees, costs or expenses as awarded.

4. Indemnification for Expenses of a Witness. To the extent that the Indemnitee is, by reason of the Indemnitee's Corporate Status, a witness in any Proceeding to which the Indemnitee is not a party, the Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by or on behalf of the Indemnitee in connection therewith.

5. Exceptions to Right of Indemnification. Notwithstanding anything to the contrary to this Agreement, except as set forth in Section 9,

(a) the Corporation shall not indemnify the Indemnitee under this Agreement in connection with a Proceeding (or part thereof) initiated by the Indemnitee unless (i) the initiation thereof was approved by the Board of Directors of the Corporation or (ii) the Proceeding was commenced following a Change in Control; and

(b) the Corporation shall not indemnify the Indemnitee to the extent the Indemnitee is reimbursed from the proceeds of insurance, and in the event the Corporation makes any indemnification payments to the Indemnitee and the Indemnitee is subsequently reimbursed from the proceeds of insurance, the Indemnitee shall promptly refund such indemnification payments to the Corporation to the extent of such insurance reimbursement.

6. Notification and Defense of Claim.

(a) The Indemnitee shall notify the Corporation in writing as soon as practicable of any Proceeding for which indemnity will or could be sought and provide the Corporation with a copy of any summons, citation, subpoena, complaint, indictment, information or other document relating to such Proceeding with which Indemnitee is served. The failure to so notify the Corporation will not relieve the Corporation from any liability that it may have to Indemnitee (i) except to the extent the failure adversely affects the Corporation's rights, legal position, ability to defend or ability to obtain insurance coverage with respect to such proceeding or (ii) otherwise than under the Corporation's Certificate of Incorporation. With respect to any Proceeding of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee (which may be regular outside counsel to the Corporation). After notice from the Corporation to the Indemnitee of its election so to assume such defense, the Corporation shall not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with such Proceeding, other than as provided below in this Section 6. The Indemnitee shall have the right to employ his or her own counsel in connection with such Proceeding, but the Expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the Corporation, (ii) counsel to the Indemnitee shall have reasonably determined that there may be a conflict of interest or position on any significant issue between the Corporation and the Indemnitee in the conduct of the defense of such Proceeding or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such Proceeding, in each of which cases the Expenses of counsel for the Indemnitee shall be at the expense of the Corporation, except as otherwise expressly provided by this Agreement, and provided that Indemnitee's counsel shall cooperate reasonably with the Corporation's counsel to minimize the cost of defending claims against the Corporation and the Indemnitee. The Corporation shall not be entitled, without the consent of the Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for the Indemnitee shall have reasonably made the determination provided for in clause (ii) above.

(b) The Corporation shall not be required to indemnify the Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding effected without its written consent. The Corporation shall not settle any Proceeding in any manner that would impose any penalty or limitation on the Indemnitee without the Indemnitee's written consent. Neither the Corporation nor the Indemnitee will unreasonably withhold or delay their consent to any proposed settlement.

7. Advancement of Expenses. Subject to the provisions of Section 8, in the event that (a) the Corporation does not assume the defense pursuant to Section 6 of any Proceeding of

which the Corporation receives notice under this Agreement or (b) the Corporation assumes such defense but Indemnitee is, pursuant to Section 6, entitled to have the Expenses of Indemnitee's own counsel paid for by the Corporation, any Expenses actually and reasonably incurred by or on behalf of the Indemnitee in connection with a Proceeding for which indemnity will or could be sought under this Agreement shall be paid by the Corporation in advance of the final disposition of such Proceeding; provided, however, that the payment of such Expenses incurred by or on behalf of the Indemnitee in advance of the final disposition of such Proceeding shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined, after the conclusion of such Proceeding, that the Indemnitee is not entitled to be indemnified by the Corporation as authorized in this Agreement. Such undertaking shall be accepted without reference to the financial ability of the Indemnitee to make repayment. Any advances and undertakings to repay pursuant to this Section 7 shall be unsecured and interest-free.

8. Procedures.

(a) In order to obtain indemnification or advancement of Expenses pursuant to this Agreement, the Indemnitee shall submit to the Corporation a written request, including in such request such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification or advancement of Expenses. Any such indemnification or advancement of Expenses shall be made promptly, and in any event within (i) in the case of advancement of Expenses under Section 7, 30 calendar days after receipt by the Corporation of the written request of the Indemnitee, or (ii) in the case of all other indemnification, 60 calendar days after receipt by the Corporation of the written request of the Indemnitee, subject to the provisions of Sections 8(b) and 8(c) below.

(b) With respect to requests for indemnification under Section 2, indemnification shall be made unless the Corporation determines that Indemnitee has not met the applicable standard of conduct set forth in Section 2. Any determination as to whether Indemnitee has met the applicable standard of conduct set forth in Section 2, and any determination that advanced Expenses must be subsequently repaid to the Corporation, shall be made, in the discretion of the Board of Directors of the Corporation, (1) by a majority vote of the directors of the Corporation consisting of persons who are not at that time parties to the Proceeding ("disinterested directors"), whether or not a quorum, (2) by a committee of disinterested directors designated by a majority vote of disinterested directors, whether or not a quorum, (3) if there are no disinterested directors, or if the disinterested directors so direct, by Independent Counsel in a written opinion to the Board, or (4) by the stockholders of the Corporation. Any such determination with respect to requests under Section 2 shall be made within the 60-day period referred to in clause (ii) of Section 8(a) (unless extended by mutual agreement by the Corporation and Indemnitee). For the purpose of the foregoing determination with respect to requests under Section 2 or repayment of advanced Expenses, the Indemnitee shall be entitled to a presumption that he or she has met the applicable standard of conduct set forth in Section 2 and is entitled to indemnification.

(c) Notwithstanding anything to the contrary set forth in this Agreement, if a request for indemnification is made after a Change in Control, at the election of the Indemnitee

made in writing to the Corporation, any determination required to be made pursuant to Section 8(b) above as to whether the Indemnitee has met the applicable standard of conduct or is required to repay advanced Expenses shall be made by Independent Counsel selected as provided in this Section 8(c). The Independent Counsel shall be selected by the Indemnitee, unless the Indemnitee shall request that such selection be made by the Board of Directors of the Corporation. The party making the determination shall give written notice to the other party advising it of the identity of the Independent Counsel so selected. The party receiving such notice may, within seven days after such written notice of selection shall have been given, deliver to the other party a written objection to such selection. Such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 1, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made, the Independent Counsel so selected may not serve as Independent Counsel unless and until a court has determined that such objection is without merit. If, within 20 days after submission by the Indemnitee of a written request for indemnification, no Independent Counsel shall have been selected or if selected, shall have been objected to, in accordance with this paragraph either the Corporation or the Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection which shall have been made by the Corporation or the Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom an objection is favorably resolved or the person so appointed shall act as Independent Counsel. The Corporation shall pay the reasonable Expenses of Independent Counsel incurred in connection with its acting in such capacity. The Corporation shall pay any and all reasonable and necessary Expenses incident to the procedures of this paragraph, regardless of the manner in which such Independent Counsel was selected or appointed.

(d) The termination of any Proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Indemnitee did not act in good faith and in a manner that the Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal Proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(e) Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Corporation or its affiliates, including financial statements, or on information supplied to Indemnitee by the officers of the Corporation or its affiliates in the course of their duties, or on the advice of legal counsel for the Corporation or its affiliates or on information or records given or reports made to the Corporation or its affiliates by an independent certified public accountant or by an appraiser or other expert selected with the reasonable care by the Corporation or its affiliates. The provisions of this Section 8(e) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(f) The knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Corporation or its affiliates shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

(g) The Indemnitee shall cooperate with the person, persons or entity making such determination with respect to the Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to the Indemnitee and reasonably necessary to such determination. Any Expenses actually and reasonably incurred by the Indemnitee in so cooperating shall be borne by the Corporation (irrespective of the determination as to the Indemnitee's entitlement to indemnification) and the Corporation hereby indemnifies the Indemnitee therefrom.

9. Remedies.

(a) The right to indemnification and advancement of Expenses as provided by this Agreement shall be enforceable by Indemnitee in any court of competent jurisdiction. Any such judicial proceeding shall be conducted in all respects as a de novo trial on the merits.

(b) In connection with any determination as to whether the Indemnitee is entitled to be indemnified under this Agreement, the court shall presume that the Indemnitee has met the applicable standard of conduct and is entitled to indemnification, and, unless otherwise required by law, the burden of proof shall be on the Corporation to establish that the Indemnitee is not so entitled. Neither the failure of the Board of Directors (or other person or body appointed pursuant to Section 8) to have made a determination that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination pursuant to Section 8 that Indemnitee has not met such applicable standard of conduct, shall be a defense to an action brought to enforce this Agreement or create a presumption that Indemnitee has not met the applicable standard of conduct.

(c) The Corporation shall indemnify Indemnitee against any and all Expenses that are incurred by Indemnitee in connection with any action brought by Indemnitee for (i) indemnification or advancement of Expenses by the Corporation under this Agreement or under applicable law or the Corporation's Certificate of Incorporation or Bylaws now or hereafter in effect relating to indemnification, and/or (ii) recovery under directors' and officers' liability insurance policies maintained by the Corporation, but only in the event that Indemnitee ultimately is determined to be entitled to such indemnification or insurance recovery, as the case may be. The Corporation shall, if so requested by Indemnitee, advance the foregoing Expenses to Indemnitee, subject to and in accordance with Section 7.

10. Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Corporation for some or a portion of the Expenses, judgments, fines, penalties or amounts paid in settlement actually and reasonably incurred by or on behalf of the Indemnitee in connection with any Proceeding but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify the Indemnitee for the portion of such Expenses, judgments, fines, penalties or amounts paid in settlement to which the Indemnitee is entitled.

11. Subrogation. In the event of any payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights.

12. Term of Agreement. This Agreement shall continue until and terminate upon the later of (a) ten years after the date that the Indemnitee shall have ceased to serve as a director or officer of the Corporation or, at the request of the Corporation, as a director, officer, partner, trustee, member, employee or agent of another corporation, partnership, joint venture, trust, limited liability company or other enterprise or (b) the final termination of all Proceedings pending on the date set forth in clause (a) in respect of which the Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by the Indemnitee pursuant to Section 9 of this Agreement relating thereto.

13. Indemnification Hereunder Not Exclusive. The indemnification and advancement of Expenses provided by this Agreement shall not be deemed exclusive of any other rights to which the Indemnitee may be entitled under the Certification of Incorporation, the By-Laws, any other agreement, any vote of stockholders or disinterested directors, the General Corporation Law of Delaware, any other law (common or statutory), or otherwise, both as to action in the Indemnitee's official capacity and as to action in another capacity while holding office for the Corporation. Nothing contained in this Agreement shall be deemed to prohibit the Corporation from purchasing and maintaining insurance, at its expense, to protect itself or the Indemnitee against any expense, liability or loss incurred by it or the Indemnitee in any such capacity, or arising out of the Indemnitee's status as such, whether or not the Indemnitee would be indemnified against such expense, liability or loss under this Agreement.

14. No Special Rights. Nothing herein shall confer upon the Indemnitee any right to continue to serve as an officer or director of the Corporation for any period of time or at any particular rate of compensation.

15. Savings Clause. If this Agreement or any portion thereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify the Indemnitee as to Expenses, judgments, fines, penalties and amounts paid in settlement with respect to any Proceeding to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated and to the fullest extent permitted by applicable law.

16. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute the original.

17. Successors and Assigns. This Agreement shall be binding upon the Corporation and its successors and assigns and shall inure to the benefit of the estate, heirs, executors, administrators and personal representatives of the Indemnitee.

18. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

19. Modification and Waiver. This Agreement may be amended from time to time to reflect changes in Delaware law or for other reasons. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof nor shall any such waiver constitute a continuing waiver.

20. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been given (i) when delivered by hand or (ii) if mailed by certified or registered mail with postage prepaid, on the third day after the date on which it is so mailed:

(a) if to the Indemnitee, to:

(b) if to the Corporation, to:

Staples, Inc.
500 Staples Drive
Framingham, Massachusetts 01702
Attention: General Counsel

or to such other address as may have been furnished to the Indemnitee by the Corporation or to the Corporation by the Indemnitee, as the case may be.

21. Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware. The Indemnitee may elect to have the right to indemnification or reimbursement or advancement of Expenses interpreted on the basis of the applicable law in effect at the time of the occurrence of the event or events giving rise to the applicable Proceeding, to the extent permitted by law, or on the basis of the applicable law in effect at the time such indemnification or reimbursement or advancement of Expenses is sought. Such election shall be made, by a notice in writing to the Corporation, at the time indemnification or reimbursement or advancement of Expenses is sought; provided, however, that if no such notice is given, and if the General Corporation Law of Delaware is amended, or other Delaware law is enacted, to permit further indemnification of the directors and officers, then the Indemnitee shall be indemnified to the fullest extent permitted under the General Corporation Law, as so amended, or by such other Delaware law, as so enacted.

22. Enforcement. The Corporation expressly confirms and agrees that it has entered into this Agreement in order to induce the Indemnitee to continue to serve as an officer or director of the Corporation, and acknowledges that the Indemnitee is relying upon this Agreement in continuing in such capacity.

23. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supercedes all prior agreements,

whether oral or written, by any officer, employee or representative of any party hereto in respect of the subject matter contained herein; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled. For avoidance of doubt, the parties confirm that the foregoing does not apply to or limit the Indemnitee's rights under Delaware law or the Corporation's Certificate of Incorporation or By-Laws.

24. Consent to Suit. In the case of any dispute under or in connection with this Agreement, the Indemnitee may only bring suit against the Corporation in the Court of Chancery of the State of Delaware. The Indemnitee hereby consents to the exclusive jurisdiction and venue of the courts of the State of Delaware, and the Indemnitee hereby waives any claim the Indemnitee may have at any time as to forum non conveniens with respect to such venue. The Corporation shall have the right to institute any legal action arising out of or relating to this Agreement in any court of competent jurisdiction. Any judgment entered against either of the parties in any proceeding hereunder may be entered and enforced by any court of competent jurisdiction.

25. Contribution. To the fullest extent permissible by applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Corporation, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Corporation and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Corporation (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

STAPLES, INC.

By: _____
Name:
Title:

INDEMNITEE:

Amendment to Severance Benefits Agreement (Amendment A)

Ronald L. Sargent
c/o Staples, Inc.
500 Staples Drive
Framingham, MA 01702

Dear Mr. Sargent,

You are a party to a Severance Benefits Agreement (“Agreement”) with Staples, Inc. and/or one of its subsidiaries (“Staples”). Under the Agreement, Staples agrees to provide you with the severance benefits set forth in the Agreement if your employment is terminated under the circumstances described in the Agreement.

To avoid certain tax penalties under the new federal tax law governing deferred compensation (commonly referred to as Section 409A), you have elected to keep the definition of “Good Reason” as set forth in your Agreement, and wait six months following your termination before receiving any severance payments otherwise payable under the Agreement should you be among the 50 highest compensated associates of Staples at the time of your severance.

Specifically, you agree to the addition of the following language to your Agreement effective January 1, 2009, which shall otherwise remain in full force and effect in accordance with its terms:

You expressly waive your right to receive any Gross-up Payment for any 409A Liability under Section 3(e)(ii) of this Agreement.

To the extent required by Section 409A of the Internal Revenue Code (“Section 409A”), reimbursement by Staples of expenses incurred due to a tax audit or litigation relating to any Gross-up Payment shall be made as soon as reasonably practical following satisfaction of Section 3(e)(v) of this Agreement, but in no event later than the end of the calendar year following the calendar year in which the taxes that are the subject of the audit or litigation are remitted to the taxing authority, or where as a result of such audit or litigation no taxes are remitted, the end of the calendar year following the calendar year in which the audit is completed or there is a final nonappealable settlement or other resolution of the litigation.

You and Staples intend that this Agreement comply with the requirements of Section 409A so that any payments and benefits provided by the Agreement do not subject you to penalty taxes and interest imposed for noncompliance with Section 409A. Accordingly, you and Staples agree to delete the language of Section 3(f) of this Agreement and replace it with the following rules shall that apply with respect to the payments and

benefits to be provided to you under this Agreement:

- (i) *Each installment of the payments and benefits provided under this Agreement shall be treated as a “separate payment” for purposes of Section 409A. Neither Staples nor you shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409;*
- (ii) *The life, dental, accident and group health insurance benefits to be provided to you during your severance period under this Agreement as described above shall be treated as exempt “reimbursements and certain other separation payments” within the meaning of Treasury Regulation Section 1.409A-1(b)(9)(v), and any reimbursement or payment with respect to such benefits shall be made not later than December 31 of the second calendar year following the year in which you are terminated;*
- (iii) *If, as of the date of your “separation from service” from Staples, you are not a “specified employee” (each within the meaning of Section 409A which generally defines a “specified employee” as an employee who is among Staples’ 50 most highly compensated officers), then each installment of the payments and benefits shall be made on the dates and terms set forth in this Agreement;*
- (iv) *If, as of the date of your “separation from service” from Staples, you are a “specified employee”, then each installment of the payments and benefits due under this Agreement that would, absent this subsection, be paid within the six-month period following your “separation from service” from Staples shall not be paid until the date that is six months and one day following your separation from service and any subsequent installments, if any, being paid in accordance with the dates and terms set forth herein. Any such delayed payments shall bear interest from the date of your separation from service to the date of payment at an annual rate equal to the prime rate as set forth in the Eastern edition of the The Wall Street Journal on the date of your separation from service;*
- (v) *Staples shall have no liability for any tax or penalty imposed on you by Section 409A.*

If this letter sets forth our agreement, kindly sign and return to Staples the enclosed copy of this letter no later than December 31, 2008.

Sincerely,

STAPLES, INC.

By: /s/ Martin Trust
Chairman of the Compensation Committee Of the Board of
Directors

I have been advised of my right to consult with counsel regarding this Agreement and have decided to sign below knowingly, voluntarily, and free from duress or coercion.

Agreed to this 22nd day of December 2008.

/s/ Ronald L. Sargent
(Associate Signature)

Amendment to Severance Benefits Agreement (Amendment A)

John J. Mahoney
c/o Staples, Inc.
500 Staples Drive
Framingham, MA 01702

Dear John:

You are a party to a Severance Benefits Agreement (“Agreement”) with Staples, Inc. and/or one of its subsidiaries (“Staples”). Under the Agreement, Staples agrees to provide you with the severance benefits set forth in the Agreement if your employment is terminated under the circumstances described in the Agreement.

To avoid certain tax penalties under the new federal tax law governing deferred compensation (commonly referred to as Section 409A), you have elected to keep the definition of “Good Reason” as set forth in your Agreement, and wait six months following your termination before receiving any severance payments otherwise payable under the Agreement should you be among the 50 highest compensated associates of Staples at the time of your severance.

Specifically, you agree to the addition of the following language to your Agreement effective January 1, 2009, which shall otherwise remain in full force and effect in accordance with its terms:

You and Staples intend that this Agreement comply with the requirements of Section 409A of the Internal Revenue Code (“Section 409A”) so that any payments and benefits provided by the Agreement do not subject you to penalty taxes and interest imposed for noncompliance with Section 409A. Accordingly, the following rules shall apply with respect to the payments and benefits to be provided to you under this Agreement:

- (i) Each installment of the payments and benefits provided under this Agreement shall be treated as a “separate payment” for purposes of Section 409A. Neither Staples nor you shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409;*
 - (ii) The life, dental, accident and group health insurance benefits to be provided to you during your severance period under this Agreement as described above shall be treated as exempt “reimbursements and certain other separation payments” within the meaning of Treasury Regulation Section 1.409A-1(b)(9)(v), and any reimbursement or payment with respect to such benefits shall be made not later*
-

Amendment to Severance Benefits Agreement (Amendment A)

Michael Miles
c/o Staples, Inc.
500 Staples Drive
Framingham, MA 01702

Dear Michael,

You are a party to a Severance Benefits Agreement (“Agreement”) with Staples, Inc. and/or one of its subsidiaries (“Staples”). Under the Agreement, Staples agrees to provide you with the severance benefits set forth in the Agreement if your employment is terminated under the circumstances described in the Agreement.

To avoid certain tax penalties under the new federal tax law governing deferred compensation (commonly referred to as Section 409A), you have elected to keep the definition of “Good Reason” as set forth in your Agreement, and wait six months following your termination before receiving any severance payments otherwise payable under the Agreement should you be among the 50 highest compensated associates of Staples at the time of your severance.

Specifically, you agree to the addition of the following language to your Agreement effective January 1, 2009, which shall otherwise remain in full force and effect in accordance with its terms:

You and Staples intend that this Agreement comply with the requirements of Section 409A of the Internal Revenue Code (“Section 409A”) so that any payments and benefits provided by the Agreement do not subject you to penalty taxes and interest imposed for noncompliance with Section 409A. Accordingly, the following rules shall apply with respect to the payments and benefits to be provided to you under this Agreement:

- (i) Each installment of the payments and benefits provided under this Agreement shall be treated as a “separate payment” for purposes of Section 409A. Neither Staples nor you shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409;*
 - (ii) The life, dental, accident and group health insurance benefits to be provided to you during your severance period under this Agreement as described above shall be treated as exempt “reimbursements and certain other separation payments” within the meaning of Treasury Regulation Section 1.409A-1(b)(9)(v), and any reimbursement or payment with respect to such benefits shall be made not later than*
-

Staples, Inc.
Statement of Computation of Ratio of Earnings to Fixed Charges
(in thousands, except ratios)

	Fiscal Year Ended				
	January 31, 2009	February 2, 2008	February 3, 2007	January 28, 2006	January 29, 2005
Earnings:					
Income before income taxes and minority interests	\$ 1,243,084	\$ 1,554,482	\$ 1,471,328	\$ 1,235,299	\$ 1,046,575
Interest portion of rental expense	223,368	193,850	183,854	169,825	157,187
Interest expense, net of capitalized interest	149,774	38,335	47,810	56,774	39,888
Capitalized interest	—	—	188	—	—
Pre tax earnings (losses) from equity method investees	(1,013)	(192)	—	7	95
Less: capitalized interest	—	—	(188)	—	—
Less: minority interests	(8,957)	802	321	(298)	—
Earnings	\$ 1,606,256	\$ 1,787,277	\$ 1,703,313	\$ 1,461,607	\$ 1,243,745
Fixed charges:					
Interest portion of rental expense	\$ 223,368	\$ 193,850	\$ 183,854	\$ 169,825	\$ 157,187
Interest expense, net of capitalized interest	149,774	38,335	47,810	56,774	39,888
Capitalized interest	—	—	188	—	—
Fixed charges	\$ 373,142	\$ 232,185	\$ 231,852	\$ 226,599	\$ 197,075
Ratio of earnings to fixed charges	4.30	7.70	7.35	6.45	6.31

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Business Names</u>
3053840 Nova Scotia Company	Nova Scotia	same
3053841 Nova Scotia Company	Nova Scotia	same
3094494 Nova Scotia Company	Nova Scotia	same
4Office AB	Sweden	same
Agawam Mill, LP	USA	same
Agena Inforgal S.A.	Spain	same
ATG Nye Drift AS	Norway	same
Auxilia Graphica S.r.L.	Italy	same
Beijing Staples Commerce & Trade Co., Ltd.	China	same
Bernard Belgium SA	Belgium	same
Bernard France SAS	France	same
Binders Norge AS	Norway	same
Bitupa B.V.	Netherlands	same
Björseells Syntranet AB	Sweden	same
BT OPI Holding (US)	USA	same
BTOP USA, Corp.	USA	same
Buhrmann Beteiligungen Deutschland GmbH	Germany	same
Buhrmann Büro Beteiligungs GmbH	Austria	same
Buhrmann Financial Services Ltd	Ireland	same
Buhrmann Finco B.V.	Netherlands	same
Buhrmann Holding GmbH & Co. KG	Germany	same
Buhrmann Holding Verwaltungs GmbH	Germany	same
Buhrmann II B.V.	Netherlands	same
Buhrmann Insurances B.V.	Netherlands	same
Buhrmann Ireland Limited	Ireland	same
Buhrmann ISD B.V.	Netherlands	same
Buhrmann ISD Groupe S.A.	France	same
Buhrmann Nederland B.V.	Netherlands	same
Buhrmann Office Products Austria B.V.	Netherlands	same
Buhrmann Paper UK Limited	United Kingdom	same
Buhrmann UK Leasing Limited	United Kingdom	same
Buhrmann-Tetterode International Hellas A.E.E.	Greece	BTI-Hellas
Business Office Supply B.V.	Netherlands	Office Centre
BVZ Büroversorgungszentrum GmbH	Germany	same
Carpa Holding France S.N.C.	France	same
CE Direct Pty Ltd	Australia	same
CEI Pty. Ltd.	Australia	same
CER New Zealand Limited	New Zealand	same
Cherokee Mill, LP	USA	same
Coppell Mill, LP	USA	same
Corporate Express (Holdings) Ltd.	United Kingdom	same
Corporate Express (Irl) Limited	Ireland	same
Corporate Express (N.I.) Ltd.	United Kingdom	same
Corporate Express Asia Limited	Hong Kong	same
Corporate Express Australia Ltd.	Australia	same
Corporate Express Belgium N.V.	Belgium	same
Corporate Express Büroartikelhandel GmbH	Austria	same
Corporate Express Canada, Inc.	Canada	Corporate Express of: Alberta, Vancouver, Delivery Systems, Nova Scotia, Maritimes

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Business Names</u>
Corporate Express Danmark A/S	Denmark	Moller& Landschultz A/S, Meydan-Moller & Landschultz ApS, H+G Kontorforsyning ApS, C.L. Kontorpartner ApS, Carl Larsen Papirhandel ApS, Kontorpartner ApS
Corporate Express Deutschland GmbH	Germany	same
Corporate Express Deutschland GmbH & Co.Vertriebs KG	Germany	same
Corporate Express Document & Print Management, Inc.	USA	CEDPM, Staples
Corporate Express Employee Share Plan Company Pty. Ltd.	Australia	same
Corporate Express España SA	Spain	same
Corporate Express Europe B.V.	Netherlands	same
Corporate Express Europe Import B.V.	Netherlands	same
Corporate Express Financieringen B.V.	Netherlands	same
Corporate Express Fined B.V.	Netherlands	same
Corporate Express France Holding S.A.S.	France	same
Corporate Express France S.A.S.	France	same
Corporate Express GmbH & Co.	Austria	same
Corporate Express Group Services B.V.	Netherlands	same
Corporate Express Holding (Ireland) Limited	Ireland	same
Corporate Express Hungary Kereskedelmi Kft	Hungary	CE Hungary
Corporate Express International B.V.	Netherlands	same
Corporate Express Italia Holding SpA	Italy	same
Corporate Express Ltd.	United Kingdom	same
Corporate Express Luxembourg Finance S.A.R.L.	Luxembourg	same
Corporate Express Luxembourg Holding S.a.r.l.	Luxembourg	same
Corporate Express Luxembourg S.A.R.L.	Luxembourg	same
Corporate Express Nederland B.V.	Netherlands	Staples, Staples Advantage, Intercambio, Dawidenko, CE, Corporate Express
Corporate Express Nederland Holding B.V.	Netherlands	same
Corporate Express New Zealand Limited	New Zealand	same
Corporate Express Nordic ASA	Norway	same
Corporate Express Norge AS	Norway	same
Corporate Express Norway Holdings AS	Norway	same
Corporate Express of Texas, Inc.	USA	same
Corporate Express Office Products, Inc.	USA	ICGS, Business Interiors, Staples
Corporate Express Oy AB	Finland	same
Corporate Express Participations B.V.	Netherlands	same
Corporate Express Polska Sp.z.o.o.	Poland	same
Corporate Express Print Management Limited	New Zealand	same
Corporate Express Promotional Marketing, Inc.	USA	CEPM
Corporate Express Promotional Marketing, Limited	United Kingdom	CEPM
Corporate Express Shared Service Center (Europe) N.V.	Belgium	same
Corporate Express Silver Europe BV	Netherlands	same
Corporate Express Silver Financing, LLC	USA	same
Corporate Express Silver S.A.	Luxembourg	same
Corporate Express Silver US, LLC	USA	same
Corporate Express SpA	Italy	same
Corporate Express Spain Holding B.V.	Netherlands	same

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Business Names</u>
Corporate Express Spain Holding S.L.	Spain	same
Corporate Express Spain Holding S.L. y Compania S.C.	Spain	same
Corporate Express Supply Chain Pty Limited	Australia	same
Corporate Express Svenska AB	Sweden	same
Corporate Express Sverige AB	Sweden	same
Corporate Express Swaps US, Inc.	USA	same
Corporate Express Sweden Holding AB	Sweden	same
Corporate Express UK Holding Limited	United Kingdom	same
Corporate Express US Finance, Inc	USA	same
Corporate Express US Inc.	USA	same
Corporate Express Verwaltungs GmbH	Germany	same
CTG Holding AB	Sweden	same
Damster Kantoorinstallaties B.V.	Netherlands	same
Deltagraf S.A.	Spain	same
Desk B.V.	Netherlands	same
Distribel B.V.	Netherlands	same
Distriho B.V.	Netherlands	same
Educational Experience Pty Limited	Australia	same
Emo AB	Sweden	same
EMO AS	Norway	same
Fareham Developments (One) Limited	United Kingdom	same
Fareham Developments (Two) Limited	United Kingdom	same
Fimaf S.A.S.	France	same
Fingraf N.V.	Belgium	same
Grafimat N.V.	Belgium	same
Grieg Kalenderforlag	Norway	same
Hartmann S.A., Maquinaria Artes Graficas	Spain	same
Hedén & Francke AB	Sweden	same
Holbel B.V.	Netherlands	same
Hong Kong Staples Brands Limited	China	same
Idasil Investimentos Imobiliarios S.A.	Portugal	IDASIL
IN Designs Global, Inc.	USA	American Identity, Staples Promotional Products
Incertive Group of Companies Limited	United Kingdom	same
Inforgal Agena SGPS S.A.	Portugal	same
Inforgal Informatica e Gestao S.A.	Portugal	same
Jean Paul Guisset —JPG France SAS	France	JPG
JPG Benelux Sp.r.l.	Belgium	same
JPG Netherlands B.V.	Netherlands	JPG Quill
KNP BT 1989 Limited	United Kingdom	same
KNP Leykam N.V.	Netherlands	same
Lebanon Mill, LP	USA	same
Loca Genas SCI	France	same
Macchingraf S.p.A. Macchine e accessori per l'industria grafica	Italy	same
Malling Beck AsP	Denmark	Quill, Malling Beck
Medical Arts Press, Inc.	USA	MAP
Milbro, Inc.	USA	same
MondOffice s.r.l.	Italy	same

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Business Names</u>
OA365 International Company Limited	Cayman Islands	same
OFCEP - Office Centre Portugal - Equipamento de Escritório, Lda	Portugal	Office Centre
Office Net S.A.	Argentina	same
Officenet Comercio de Materias para Escritorio Ltda.	Brazil	same
Officenet, B2 Express - Comercio, Servicos e Representacoes Ltda.	Brazil	same
Oranda AG	Switzerland	same
Peterborough, L.P.	Ontario, Canada	same
Plantin S.A.	Belgium	same
Pressel AG	Switzerland	Quill, Pressel
Pressel Kereskedelmi Kft.	Hungary	Quill, Pressel
Pressel Post B.V.	Netherlands	Quill, Pressel
Pressel Post b.v.b.a.	Belgium	Quill, Pressel
Pressel Sarl	France	Quill, Pressel
Pressel Sp z.o.o	Poland	Quill, Pressel
Pressel Systems Sp z.o.o	Poland	Quill, Pressel
Pressel Systems spol.s.r.o.	Czech Republic	Quill, Pressel
Pressel Versand GmbH	Germany	Quill, Pressel
Pressel Versand International GmbH	Austria	Quill, Pressel
PSM Deutschland GmbH	Germany	same
PSM Internationale Handelsgesellschaft m.b.H.	Austria	same
PSM Internationale Handelsgesellschaft m.b.H. & Co.KG	Austria	same
Quill Corporation	USA	same
Quill Kontorslagret AB	Sweden	same
Quill Lincolnshire, Inc.	USA	same
Reliable France SAS	France	same
Restructure (Vic) Pty. Ltd.	Australia	same
Rich Andvord Grafisk AS	Norway	same
Scandinavian Office Supply AB	Sweden	same
SchoolKidz.com LLC	USA	same
SchoolKidz.com, Inc.	USA	same
SEC UK Delivery Limited	United Kingdom	same
Shenzhen Staples Commerce & Trade Co., Ltd.	China	same
Sistemas Kalamazoo S.L.	Spain	same
Skrivab AB	Sweden	same
Smilemakers Canada, Inc.	USA	same
Smilemakers for Children Company	Canada	same
Smilemakers, Inc.	USA	same
SOM Hagerstown, Inc.	USA	same
Staples (Asia) Investments Limited	Cayman Islands	same
Staples (China) Investment Co., Ltd.	China	same
Staples (Deutschland) GmbH	Germany	same
Staples Acquisition B.V.	Netherlands	same
Staples Acquisition II B.V.	Netherlands	same
Staples Acquisition III B.V.	Netherlands	same
Staples Austria GmbH	Austria	same
Staples Belgium BVBA	Belgium	same
Staples Brand Consulting (Shenzhen) Co., Ltd.	China	same
Staples Canada, Inc.	Ontario, Canada	Staples The Business Depot, Bureau en Gross, Staples the Office Superstore

Name of Subsidiary	Jurisdiction of Incorporation	Business Names
Staples Commerce & Trade Company Ltd.	China	OA365
Staples Connecticut, Inc.	USA	same
Staples Contract & Commercial, Inc.	USA	Staples Advantage, Staples Business Advantage, Staples National Advantage
Staples Delivery Limited	United Kingdom	same
Staples Dutch Management BV	Netherlands	same
Staples Employment Services Limited	United Kingdom	same
Staples Enterprise Risk Solutions, Inc.	USA	same
Staples Europe Holdings, G. P.	Bermuda	same
Staples Foundation for Learning, Inc.	USA	same
Staples France Holding SAS	France	same
Staples Future Office Products Private Limited	India	same
Staples Global Holdings, L.P.	Bermuda	same
Staples Global Markets, Inc.	USA	Global Identity, Staples Promtional Products
Staples GP, LLC	USA	same
Staples Hong Kong Investments Limited	Hong Kong	same
Staples Intermediary Holdings L.P.	Bermuda	same
Staples International Limited	United Kingdom	same
Staples International, Inc.	USA	same
Staples Luxco S.a.r.l.	Luxembourg	same
Staples Mail Order UK Limited	United Kingdom	same
Staples Netherlands B.V.	Netherlands	same
Staples of Maryland, LLC	USA	same
Staples Office Centre Grosshandels GmbH & Co.KG	Germany	same
Staples Office Centre Verwaltungs GmbH	Germany	same
Staples Partners, LLC	USA	same
Staples PeiPei Office (Jiangsu) Products Co. Ltd.	China	same
Staples Procurement & Management Services Private Limited	India	same
Staples Product Sourcing Group Europe, B.V.B.A.	Belgium	same
Staples Security Corporation	USA	same
Staples Shared Service Center, LLC	USA	same
Staples the Office Superstore East, Inc.	USA	same
Staples the Office Superstore, Limited Partnership	USA	same
Staples the Office Superstore, LLC	USA	same
Staples Transportation LLC	USA	same
Staples UK Limited	USA	same
Staples UK Retail Limited	United Kingdom	Office World
Staples UPS Business Services Co. Ltd.	China	same
Staples Value, LLC	Virginia	same
Stavanger Kopi og Kontorrekvisita AS	Norway	same
Teacher Direct Limited	New Zealand	same
Tetterode-Nederland B.V.	Netherlands	same
Thrive Networks, Inc.	USA	same
UB Staples Corporation Limited	Cayman Islands	same
Union B.V., Exploitatie Maatschappij	Netherlands	same
VRG-Papier B.V.	Netherlands	same
Wellbox Handels GmbH	Austria	same

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- 1) Registration Statements on Form S-3 (Nos. 333-58743, 333-81503, 333-124024, and 333-155855) of Staples, Inc, and
- 2) Registration Statements on Form S-8 (Nos. 333-36713, 333-36715, 333-39991, 333-39993, 333-64545, 333-73383, 333-87971, 333-68428, 333-68430, 333-68432, 333-116644, 333-128449 and 333-153405) of Staples, Inc.;

of our reports dated March 10, 2009, with respect to the consolidated financial statements and schedule of Staples, Inc. and the effectiveness of internal control over financial reporting of Staples, Inc., included in this Annual Report (Form 10-K) for the year ended January 31, 2009.

/s/ Ernst & Young LLP

Ernst & Young LLP

Boston, Massachusetts
March 10, 2009

Principal Executive Officer Certification

I, Ronald L. Sargent, certify that:

1. I have reviewed this Annual Report on Form 10-K of Staples, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2009

/s/ RONALD L. SARGENT

Ronald L. Sargent
Chairman and Chief Executive Officer
(Principal Executive Officer)

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[Exhibit 31.1](#)

Principal Financial Officer Certification

I, John J. Mahoney, certify that:

1. I have reviewed this Annual Report on Form 10-K of Staples, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2009

/s/ JOHN J. MAHONEY

John J. Mahoney
*Vice Chairman and Chief Financial
Officer
(Principal Financial Officer)*

QuickLinks

[Exhibit 31.2](#)

[Principal Financial Officer Certification](#)

Principal Executive Officer Certification

In connection with the annual report on Form 10-K of Staples, Inc. (the "Company") for the period ended January 31, 2009 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), the undersigned, Ronald L. Sargent, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 10, 2009

/s/ RONALD L. SARGENT

Ronald L. Sargent
Chairman and Chief Executive Officer
(Principal Executive Officer)

QuickLinks

[Exhibit 32.1](#)

Principal Financial Officer Certification

In connection with the annual report on Form 10-K of Staples, Inc. (the "Company") for the period ended January 31, 2009 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), the undersigned, John J. Mahoney, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 10, 2009

/s/ JOHN J. MAHONEY

John J. Mahoney
Vice Chairman and Chief Financial Officer
(Principal Financial Officer)

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[Exhibit 32.2](#)

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