



FORM 10-Q

STAPLES INC - SPLS

Filed: December 02, 2008 (period: November 01, 2008)

Quarterly report which provides a continuing view of a company's financial position

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark one)

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: **November 1, 2008**

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: **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.)

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)

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 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 registrant had 713,387,435 shares of common stock outstanding as of November 28, 2008.

STAPLES, INC. AND SUBSIDIARIES
FORM 10-Q
November 1, 2008
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

STAPLES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Dollar Amounts in Thousands, Except Share Data)
(Unaudited)

	November 1, 2008	February 2, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 887,700	\$ 1,245,448
Short-term investments	—	27,016
Receivables, net	2,096,663	822,254
Merchandise inventories, net	2,668,289	2,053,163
Deferred income tax asset	242,279	173,545
Prepaid expenses and other current assets	284,911	233,956
Total current assets	6,179,842	4,555,382
Property and equipment:		
Land and buildings	1,028,726	859,751
Leasehold improvements	1,185,903	1,135,132
Equipment	1,932,415	1,819,381
Furniture and fixtures	917,514	871,361
Total property and equipment	5,064,558	4,685,625
Less accumulated depreciation and amortization	2,722,815	2,524,486
Net property and equipment	2,341,743	2,161,139
Lease acquisition costs, net of accumulated amortization	28,397	31,399
Intangible assets, net of accumulated amortization	766,145	231,310
Goodwill	3,724,004	1,764,928
Other assets	993,087	292,186
Total assets	\$ 14,033,218	\$ 9,036,344
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,497,903	\$ 1,560,728
Accrued expenses and other current liabilities	1,229,646	1,025,364
Commercial paper	948,728	—
Debt maturing within one year	1,991,604	23,806
Total current liabilities	6,667,881	2,609,898
Long-term debt	1,149,645	342,169
Other long-term obligations	775,289	356,043
Minority interest	58,345	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 882,167,337 shares at November 1, 2008 and 867,366,103 shares at February 2, 2008	529	520
Additional paid-in capital	3,987,666	3,720,319
Cumulative foreign currency translation adjustments	(331,446)	476,399
Retained earnings	5,081,290	4,793,542
Less: Treasury stock at cost - 166,381,578 shares at November 1, 2008 and 162,728,588 shares at February 2, 2008	(3,355,981)	(3,272,773)
Total stockholders' equity	5,382,058	5,718,007
Total liabilities and stockholders' equity	\$ 14,033,218	\$ 9,036,344

See notes to condensed consolidated financial statements.

STAPLES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(Dollar Amounts in Thousands, Except Per Share Data)
(Unaudited)

	13 Weeks Ended		39 Weeks Ended	
	November 1, 2008	November 3, 2007	November 1, 2008	November 3, 2007
Sales	\$ 6,950,933	\$ 5,168,351	\$ 16,910,207	\$ 14,048,240
Cost of goods sold and occupancy costs	5,086,799	3,662,677	12,323,649	10,047,260
Gross profit	1,864,134	1,505,674	4,586,558	4,000,980
Operating and other expenses:				
Selling, general and administrative	1,314,134	1,072,998	3,450,599	2,957,909
Integration and restructuring costs	132,282	—	132,445	—
Amortization of intangibles	28,011	4,371	46,426	11,681
Total operating expenses	1,474,427	1,077,369	3,629,470	2,969,590
Operating income	389,707	428,305	957,088	1,031,390
Other income (expense):				
Interest income	5,366	8,715	23,148	34,895
Interest expense	(59,902)	(8,466)	(88,348)	(30,667)
Miscellaneous expense	(2,833)	15	(3,223)	(1,472)
Income before income taxes and minority interests	332,338	428,569	888,665	1,034,146
Income tax expense	171,644	154,285	363,588	372,293
Income before minority interests	160,694	274,284	525,077	661,853
Minority interests	3,991	(234)	5,859	(636)
Net income	\$ 156,703	\$ 274,518	\$ 519,218	\$ 662,489
Earnings Per Share:				
Basic earnings per common share	\$ 0.22	\$ 0.39	\$ 0.75	\$ 0.94
Diluted earnings per common share	\$ 0.22	\$ 0.38	\$ 0.73	\$ 0.92
Dividends declared per common share	\$ —	\$ —	\$ 0.33	\$ 0.29

See notes to condensed consolidated financial statements.

STAPLES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Dollar Amounts in Thousands)
(Unaudited)

	39 Weeks Ended	
	November 1, 2008	November 3, 2007
Operating Activities:		
Net income	\$ 519,218	\$ 662,489
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	396,590	285,940
Amortization of deferred financing costs	8,982	—
Non-cash write-down of indefinite lived intangible assets	123,775	—
Stock-based compensation	134,196	133,196
Deferred tax expense	19,190	25,272
Excess tax benefits from stock-based compensation arrangements	(5,992)	(17,395)
Other	5,575	1,679
Changes in assets and liabilities:		
Increase in receivables	(130,794)	(113,711)
Increase in merchandise inventories	(70,085)	(99,489)
Increase in prepaid expenses and other assets	(16,402)	(51,323)
Increase in accounts payable	30,711	114,724
Increase (decrease) in accrued expenses and other liabilities	115,711	(189,720)
Increase in other long-term obligations	34,431	90,161
Net cash provided by operating activities	1,165,106	841,823
Investing Activities:		
Acquisition of property and equipment	(243,777)	(315,905)
Acquisition of businesses and investments in joint ventures, net of cash acquired	(4,381,811)	(178,295)
Proceeds from the sale of short-term investments	27,019	3,776,385
Purchase of short-term investments	(3)	(3,440,117)
Net cash used in investing activities	(4,598,572)	(157,932)
Financing Activities:		
Proceeds from the exercise of stock options and the sale of stock under employee stock purchase plans	129,769	125,703
Proceeds from the issuance of commercial paper, net of repayments	948,728	—
Proceeds from borrowings	2,762,879	10,701
Payments on borrowings	(360,790)	(204,889)
Payment of deferred financing costs	(16,450)	—
Cash dividends paid	(231,465)	(207,552)
Excess tax benefits from stock-based compensation arrangements	5,992	17,395
Purchase of treasury stock, net	(83,208)	(578,159)
Net cash provided by (used in) financing activities	3,155,455	(836,801)
Effect of exchange rate changes on cash and cash equivalents	(79,737)	45,960
Net decrease in cash and cash equivalents	(357,748)	(106,950)
Cash and cash equivalents at beginning of period	1,245,448	1,017,671
Cash and cash equivalents at end of period	\$ 887,700	\$ 910,721

See notes to condensed consolidated financial statements.

STAPLES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

Note A - Basis of Presentation

The accompanying interim unaudited condensed consolidated financial statements include the accounts of Staples, Inc. and its subsidiaries (“Staples”, “the Company”, “we”, “our” or “us”), and the recent acquisition of Corporate Express N.V. (“Corporate Express”) (see Note C). These financial statements are for the period covering the thirteen and thirty-nine weeks ended November 1, 2008 (also referred to as the “third quarter of 2008” and “year-to-date 2008”, respectively) and the period covering the thirteen and thirty-nine weeks ended November 3, 2007 (also referred to as the “third quarter of 2007” and “year-to-date 2007”, respectively). All intercompany accounts and transactions are eliminated in consolidation. Certain previously reported amounts have been reclassified to conform with the current period presentation.

These financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, such interim financial statements reflect all normal recurring adjustments considered necessary to present fairly the financial position and the results of operations and cash flows for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full fiscal year. These financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company’s Annual Report on Form 10-K for the year ended February 2, 2008.

Note B – 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 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 Company has not yet determined the impact on its financial statements of the February 1, 2009 adoption of SFAS No. 157 as it pertains to non-financial assets and liabilities.

The following table shows assets and liabilities as of November 1, 2008, 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	—	\$ 41,135	—

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 will adopt the provisions of SFAS No. 158 in fiscal 2008 as a result of the assumption of pension plans in connection with the acquisition of Corporate Express (see Note C). This adoption will have 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. Unrealized gains and losses on items for which

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

the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS No. 159 was effective for the Company on February 3, 2008. The adoption of SFAS No. 159 did not have an impact on the Company's 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 those fiscal years. The Company will adopt 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 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. Early adoption is prohibited. 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.

Note C – Business Acquisition

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. As a result of the acquisition, the Company 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 is backstopped by the 2008 Agreement, and additional funds from the 2008 Term Credit Facility, 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 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 condensed 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.

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

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 Condensed 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 the tender offer were declared unconditional (in thousands):

	<u>As of July 2, 2008</u>
Current assets (excluding acquired cash)	\$ 2,136,397
Property and equipment	462,953
Other assets	959,150
Goodwill	2,489,172
Intangible assets	<u>865,200</u>
Total assets acquired	\$ 6,912,872
Current liabilities	\$ 1,507,263
Long-term debt	404,222
Other long-term liabilities	619,576
Total liabilities assumed	<u>\$ 2,531,061</u>
Net assets acquired	<u>\$ 4,381,811</u>

At July 2, 2008, the date the terms of the tender offer were declared unconditional, Staples allocated assets of \$3.90 billion and \$3.09 billion to the North American Delivery and International Operations segments, respectively. Included in total assets were goodwill and intangible assets totaling \$3.35 billion, of which \$2.22 billion and \$1.14 billion were allocated to the North American Delivery and International Operations segments, respectively. Of the \$865.2 million of estimated acquired intangible assets, \$692.9 million was assigned to customer relationships that are being amortized over a weighted average useful life of 12.6 years, \$162.3 million was assigned to tradenames, which have lives ranging from 18 months to 10 years with a weighted average useful life of 6.9 years, and \$10.0 million was assigned to order backlog that is being amortized over its useful life of 18 months.

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 10%.

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 November 1, 2008</u>
Transaction costs	\$ 52,490	\$ (30,695)	\$ 21,795
Severance	30,000	—	30,000
Facility closures	418	—	418
Other	24	(24)	—
Total	<u>\$ 82,932</u>	<u>\$ (30,719)</u>	<u>\$ 52,213</u>

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

The following unaudited proforma summary presents information as if Corporate Express had been acquired as of February 4, 2007. 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.

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.

	13 Weeks Ended		39 Weeks Ended	
	November 1, 2008	November 3, 2007	November 1, 2008	November 3, 2007
Net sales	\$ 6,950,933	\$ 7,071,029	\$ 20,284,858	\$ 19,651,562
Income from continuing operations (1)	156,703	255,134	443,136	600,075
Net income (1)	156,703	272,520	507,404	629,427
Basic earnings per share	0.22	0.39	0.73	0.89
Diluted earnings per share	0.22	0.38	0.71	0.87

- (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.

Note D – 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. Integration and restructuring costs were \$132.3 million and \$132.4 million for the third quarter of 2008 and year-to-date 2008, respectively. Included in integration and restructuring costs for the third quarter of 2008 and year-to-date 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 European catalog business. For the third quarter of 2008, integration and restructuring costs also include \$7.4 million of consulting fees, \$0.6 million of travel related expenses and a \$0.5 million charge for employee retention costs.

Note E – Debt and Credit Agreements

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 Revolving Credit Facility, the Commercial Paper Program, and the 2008 Term Credit Facility as described below.

The 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) backstop the Company's Commercial Paper Program. Amounts borrowed under the 2008 Agreement may be borrowed, repaid and reborrowed from time to time, with the aggregate principal amount of the loans outstanding not to exceed the maximum borrowing amount of \$3.0 billion. 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

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

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 same subsidiaries of Staples (see Note J) that guarantee Staples’ publicly issued notes, the Commercial Paper Program, the 2008 Term Credit Facility and the Revolving Credit Facility (each as defined below). 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 2008 Agreement also contains affirmative and negative covenants that are consistent with those contained in Staples’ 2008 Term Credit Facility and Revolving Credit Facility. 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 November 1, 2008, \$1.57 billion of borrowings were outstanding under the 2008 Agreement at a weighted average interest rate of 4.38%. As of November 1, 2008, the available credit under this agreement was \$478.1 million.

The Revolving Credit Facility

On May 5, 2008, Staples 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 the Company’s acquisition of the outstanding capital stock of Corporate Express and provided certain post-acquisition cure periods to allow the Company 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 the Company’s 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 the obligations of the Company to the lenders and administrative agent who are parties thereto.

As of November 1, 2008, \$668.0 million of borrowings were outstanding under the Revolving Credit Facility and \$21.3 million of letters of credit were issued against this facility. As of November 1, 2008, the available credit under this facility was \$60.7 million.

The Commercial Paper Program

On June 9, 2008, Staples entered into 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. The 2008 Agreement serves as a backstop 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 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 same subsidiaries (see Note J) that guarantee the publicly issued notes, the 2008 Agreement, the 2008 Term Credit Facility, and the Revolving Credit Facility. The Commercial Paper Program contains customary events of default with corresponding grace periods.

As of November 1, 2008, \$948.7 million of Notes were outstanding under the Commercial Paper Program. The Notes have a weighted average remaining maturity of 15 days with a weighted average interest rate of 3.97%.

The 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. The 2008 Term Credit Facility provides for borrowing of a maximum principal amount of up to \$400.0 million. Borrowings under the 2008 Term Credit Facility may be used by Staples for working capital and in connection with the acquisition of Corporate Express, including the repayment of Corporate Express’ indebtedness. Amounts borrowed under the 2008 Term Credit Facility once borrowed may not be reborrowed. The 2008 Term Credit Facility contains customary affirmative and negative covenants that are substantially the same as those in the 2008 Agreement and the Revolving Credit Facility, has the same financial covenants as the 2008 Agreement and the Revolving Credit Facility and provides for customary events of default with corresponding grace periods that are substantially the same as those in our 2008 Agreement.

As of November 1, 2008, \$150.0 million of borrowings were outstanding under the 2008 Term Credit Facility. On November 26, 2008, the Company repaid the entire remaining balance due. No further credit is available under this facility.

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

Corporate Express Securitization Programs

In connection with the acquisition of Corporate Express, the Company assumed the obligations under Corporate Express' U.S. Securitization Program and the European Securitization Program (the "Securitization Programs"). As of November 1, 2008, the Company was able to borrow a maximum of \$200.0 million and EUR 75.0 million (approximately \$98 million based on exchange rates on that date) under the Securitization Programs. As of November 1, 2008, the utilized balance under the U.S. Securitization Program was \$186.7 million and, based on the exchange rates on this date, the utilized balance under the European Securitization Program was \$47.9 million. Borrowings outstanding under the Securitization Programs are included as a component of current liabilities in the Company's condensed consolidated balance sheet, while the accounts receivable securing these obligations are included as a component of net receivables.

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 2008 Agreement and the 2008 Term Credit Facility, the Company incurred financing fees of \$16.5 million, which are being amortized over the term of the related debt instrument. Amortization of the financing fees are classified as interest expense. Deferred financing fees amortized to interest expense for the quarter and year to date period ended November 1, 2008 amounted to \$5.5 million and \$9.0 million, respectively. Unamortized financing fees at November 1, 2008 were \$7.5 million and included in prepaid expenses and other current assets.

Note F – Equity Based Employee Benefit Plans

Staples offers its associates share ownership through certain equity based employee benefit plans, including the Employees' 401(k) Savings Plan (the "401(k) Plan"), the Amended and Restated 1998 Employee Stock Purchase Plan and the Amended and Restated International Employee Stock Purchase Plan (collectively the "Employee Stock Purchase Plans"), and the Amended and Restated 2004 Stock Incentive Plan.

All U.S. based associates who meet minimum age and length of service requirements are eligible to participate in the 401(k) Plan. Company contributions to the 401(k) Plan are calculated on a matching formula applied to associates' contributions that are made in the form of Company common stock and vest ratably over a five year period. After five years of service, participants are fully vested in all contributions. Under the Employee Stock Purchase Plans, U.S and International associates may purchase shares of Staples common stock at 85% of the lower of the market price of the common stock at the beginning or end of an offering period through payroll deductions in an amount not to exceed 10% of an employee's annual base compensation. Under the Amended and Restated 2004 Stock Incentive Plan, the Company grants nonqualified stock options and restricted stock and restricted stock units (collectively, "Restricted Shares") to associates. The nonqualified stock options and Restricted Shares are restricted in that they are not transferable (i.e. they may not be exercised or sold) until they vest. Vesting of these awards occurs over different periods, depending on the terms of the individual award, but expenses relating to these awards are all recognized on a straight line basis over the applicable vesting period.

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

The following table summarizes the nonqualified stock option and Restricted Share activity during year-to-date 2008:

	Nonqualified Stock Options		Restricted Shares	
	Number of Shares	Weighted Average Exercise Price per Share	Number of Shares	Weighted Average Grant Date Fair Value per Share
Outstanding at February 2, 2008	51,374,926	\$ 17.90	9,857,269	\$ 24.61
Granted	183,689	21.58	938,647	21.82
Exercised / released	(1,478,855)	15.31	(224,413)	22.11
Canceled	(658,632)	20.22	(229,719)	24.54
Outstanding at May 3, 2008	49,421,128	\$ 17.97	10,341,784	\$ 24.41
Granted	4,867,262	24.30	5,156,149	24.30
Exercised / released	(2,956,925)	16.17	(1,866,753)	24.46
Canceled	(318,185)	22.35	(274,902)	24.50
Outstanding at August 2, 2008	51,013,280	\$ 18.65	13,356,278	\$ 24.36
Granted	342,179	22.58	111,288	24.89
Exercised / released	(3,620,615)	16.26	(81,324)	22.77
Canceled	(290,131)	22.59	(255,831)	24.33
Outstanding at November 1, 2008	47,444,713	\$ 18.83	13,130,411	\$ 24.37

Staples also grants performance share awards to certain employees, which are awards of restricted stock that only are issued and vest if the Company meets minimum performance targets (the "Performance Shares"). If at the end of each three year period, the Company's performance falls between the minimum and maximum targets, a percentage of the Performance Shares, ranging from 90% to 200%, will vest depending on the performance achieved. If the Company does not achieve the minimum performance target, none of the Performance Shares will be issued.

In connection with its equity based employee benefit plans, Staples included \$47.4 million and \$134.2 million in compensation expense for the thirteen weeks and thirty-nine weeks ended November 1, 2008, respectively, and \$50.1 million and \$133.2 million in compensation expense for the thirteen and thirty-nine weeks ended November 3, 2007, respectively. As of November 1, 2008, Staples had \$286.5 million of nonqualified stock options and Restricted Shares to be expensed over the period through September 2012.

Note G – Comprehensive Income

Comprehensive (loss) income includes net income, foreign currency translation adjustments and changes in the fair value of derivatives that are designated as hedges of net investments in foreign subsidiaries (net of the related tax effects), which are reported separately in stockholders' equity (in thousands):

	13 Weeks Ended		39 Weeks Ended	
	November 1, 2008	November 3, 2007	November 1, 2008	November 3, 2007
Net income	\$ 156,703	\$ 274,518	\$ 519,218	\$ 662,489
Other comprehensive (loss) income:				
Foreign currency translation adjustments, net	(848,685)	94,882	(833,842)	236,854
Change in the fair value of derivatives	47,084	48,779	44,823	15,755
Tax effect of changes in the fair value of derivatives	(19,776)	(20,487)	(18,826)	(6,617)
Total comprehensive (loss) income	\$ (664,674)	\$ 397,692	\$ (288,627)	\$ 908,481

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

Note H – Computation of Earnings Per Common Share

The computation of basic and diluted earnings per share for the third quarter and year-to-date 2008 and 2007 is as follows (in thousands, except per share data):

	13 Weeks Ended		39 Weeks Ended	
	November 1, 2008	November 3, 2007	November 1, 2008	November 3, 2007
Numerator:				
Net income	\$ 156,703	\$ 274,518	\$ 519,218	\$ 662,489
Denominator:				
Weighted-average common shares outstanding	701,161	702,259	696,811	707,301
Effect of dilutive securities:				
Employee stock options and restricted shares	11,550	12,999	13,873	16,114
Weighted-average common shares outstanding assuming dilution	712,711	715,258	710,684	723,415
Basic earnings per common share	\$ 0.22	\$ 0.39	\$ 0.75	\$ 0.94
Diluted earnings per common share	\$ 0.22	\$ 0.38	\$ 0.73	\$ 0.92

Note I – Segment Reporting

Staples has three reportable segments: North American Retail, North American Delivery and International Operations. Staples' North American Retail segment consists of the U.S. and Canadian business units that operate office products stores. 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 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 \$3.90 billion and \$3.09 billion to the North American Delivery and International Operations segments, respectively. Included in total assets were goodwill and intangible assets totaling \$3.35 billion, of which \$2.22 billion and \$1.14 billion were allocated to the North American Delivery and International Operations 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, income taxes, non-recurring items and the impact of changes in accounting principles ("business unit income"). Intersegment sales and transfers are recorded at Staples' cost; therefore, there is no intercompany profit or loss recognized on these transactions.

Staples' North American Retail and North American Delivery 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 Condensed Consolidated Financial Statements (Continued)

The following is a summary of sales and business unit income by reportable segment for the third quarter and year-to-date 2008 and 2007 and a reconciliation of total segment income to income before income taxes and minority interest (in thousands):

	13 Weeks Ended		39 Weeks Ended	
	November 1, 2008	November 3, 2007	November 1, 2008	November 3, 2007
	Sales		Sales	
North American Retail	\$ 2,599,204	\$ 2,750,884	\$ 7,095,568	\$ 7,225,679
North American Delivery	2,783,195	1,727,141	6,469,487	4,896,999
International Operations	1,568,534	690,326	3,345,152	1,925,562
Total reportable segments	<u>\$ 6,950,933</u>	<u>\$ 5,168,351</u>	<u>\$ 16,910,207</u>	<u>\$ 14,048,240</u>

	13 Weeks Ended		39 Weeks Ended	
	November 1, 2008	November 3, 2007	November 1, 2008	November 3, 2007
	Business Unit Income		Business Unit Income	
North American Retail	\$ 267,558	\$ 305,869	\$ 546,342	\$ 652,252
North American Delivery	246,206	187,450	583,023	507,380
International Operations	55,624	23,064	94,364	42,954
Business unit income	<u>\$ 569,388</u>	<u>\$ 516,383</u>	<u>\$ 1,223,729</u>	<u>\$ 1,202,586</u>
Stock-based compensation	(47,399)	(50,078)	(134,196)	(133,196)
Integration and restructuring costs	(132,282)	—	(132,445)	—
Impact of wage and hour settlement	—	(38,000)	—	(38,000)
Total segment income	<u>389,707</u>	<u>428,305</u>	<u>957,088</u>	<u>1,031,390</u>
Interest and other income (expense), net	(57,369)	264	(68,423)	2,756
Income before income taxes and minority interests	<u>\$ 332,338</u>	<u>\$ 428,569</u>	<u>\$ 888,665</u>	<u>\$ 1,034,146</u>

Note J - Guarantor Subsidiaries

Under the terms of the Company's 7.375% Senior Notes, the Revolving Credit Facility, the 2008 Agreement, the 2008 Term Credit Facility and the Commercial Paper Program, certain subsidiaries guarantee repayment of the debt. The debt is fully and unconditionally guaranteed on an unsecured, joint and several basis by Staples the Office Superstore, LLC, Staples the Office Superstore East, Inc., Staples Contract & Commercial, Inc., and Staples the Office Superstore, Limited Partnership, all of which are wholly owned subsidiaries of Staples (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 the debt and illustrates the composition of Staples, Inc. (the "Parent Company"), the Guarantor Subsidiaries, and the non-guarantor subsidiaries as of November 1, 2008 and February 2, 2008 and for the third quarter and year-to-date 2008 and 2007. The non-guarantor subsidiaries, including Corporate Express, 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 Condensed Consolidated Financial Statements (Continued)

Condensed Consolidating Balance Sheet
As of November 1, 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>Eliminations</u>	<u>Consolidated</u>
Cash and cash equivalents	\$ 287,784	\$ 36,932	\$ 562,984	\$ —	\$ 887,700
Merchandise inventories	—	1,257,496	1,410,793	—	2,668,289
Other current assets	61,666	689,765	1,872,422	—	2,623,853
Total current assets	349,450	1,984,193	3,846,199	—	6,179,842
Net property, equipment and other assets	709,117	1,273,530	2,146,725	—	4,129,372
Goodwill	290,759	154,527	3,278,718	—	3,724,004
Investment in affiliates and intercompany, net	1,709,770	3,812,082	1,663,954	(7,185,806)	—
Total assets	<u>\$ 3,059,096</u>	<u>\$ 7,224,332</u>	<u>\$ 10,935,596</u>	<u>\$ (7,185,806)</u>	<u>\$ 14,033,218</u>
Total current liabilities	\$ 2,879,985	\$ 1,288,382	\$ 2,499,514	\$ —	\$ 6,667,881
Total long-term liabilities	779,355	488,695	656,884	—	1,924,934
Minority interests	—	—	58,345	—	58,345
Total stockholders' equity	(600,244)	5,447,255	7,720,853	(7,185,806)	5,382,058
Total liabilities and stockholders' equity	<u>\$ 3,059,096</u>	<u>\$ 7,224,332</u>	<u>\$ 10,935,596</u>	<u>\$ (7,185,806)</u>	<u>\$ 14,033,218</u>

Condensed Consolidating Balance Sheet
As of 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>Eliminations</u>	<u>Consolidated</u>
Cash and cash equivalents	\$ 638,543	\$ 42,612	\$ 564,293	\$ —	\$ 1,245,448
Short-term investments	27,016	—	—	—	27,016
Merchandise inventories	—	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	<u>\$ 300,189</u>	<u>\$ 6,497,623</u>	<u>\$ 7,323,866</u>	<u>\$ (5,085,334)</u>	<u>\$ 9,036,344</u>
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 interests	—	—	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	<u>\$ 300,189</u>	<u>\$ 6,497,623</u>	<u>\$ 7,323,866</u>	<u>\$ (5,085,334)</u>	<u>\$ 9,036,344</u>

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

Condensed Consolidating Statement of Income
For the thirteen weeks ended November 1, 2008
(in thousands)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Sales	\$ —	\$ 3,267,766	\$ 3,683,167	\$ 6,950,933
Cost of goods sold and occupancy costs	3,525	2,359,215	2,724,059	5,086,799
Gross profit	(3,525)	908,551	959,108	1,864,134
Operating and other expenses	167,717	639,538	724,541	1,531,796
Income (loss) before income taxes and minority interests	(171,242)	269,013	234,567	332,338
Income tax expense	—	97,786	73,858	171,644
Income (loss) before minority interests	(171,242)	171,227	160,709	160,694
Minority interests	—	—	3,991	3,991
Net income (loss)	\$ (171,242)	\$ 171,227	\$ 156,718	\$ 156,703

Condensed Consolidating Statement of Income
For the thirteen weeks ended November 3, 2007
(in thousands)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Sales	\$ —	\$ 3,357,286	\$ 1,811,065	\$ 5,168,351
Cost of goods sold and occupancy costs	3,196	2,390,586	1,268,895	3,662,677
Gross profit	(3,196)	966,700	542,170	1,505,674
Operating and other expenses	16,188	687,854	373,063	1,077,105
Income (loss) before income taxes and minority interests	(19,384)	278,846	169,107	428,569
Income tax expense	—	96,116	58,169	154,285
Income (loss) before minority interest	(19,384)	182,730	110,938	274,284
Minority interests	—	—	(234)	(234)
Net income (loss)	\$ (19,384)	\$ 182,730	\$ 111,172	\$ 274,518

Condensed Consolidating Statement of Income
For the thirty-nine weeks ended November 1, 2008
(in thousands)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Sales	\$ —	\$ 9,221,573	\$ 7,688,634	\$ 16,910,207
Cost of goods sold and occupancy costs	10,865	6,781,769	5,531,015	12,323,649
Gross profit	(10,865)	2,439,804	2,157,619	4,586,558
Operating and other expenses	204,868	1,875,974	1,617,051	3,697,893
Income (loss) before income taxes and minority interests	(215,733)	563,830	540,568	888,665
Income tax expense	—	193,783	169,805	363,588
Income (loss) before minority interests	(215,733)	370,047	370,763	525,077
Minority interests	—	—	5,859	5,859
Net income (loss)	\$ (215,733)	\$ 370,047	\$ 364,904	\$ 519,218

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

Condensed Consolidating Statement of Income
For the thirty-nine weeks ended November 3, 2007
(in thousands)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Sales	\$ —	\$ 9,230,842	\$ 4,817,398	\$ 14,048,240
Cost of goods sold and occupancy costs	7,349	6,678,579	3,361,332	10,047,260
Gross profit	(7,349)	2,552,263	1,456,066	4,000,980
Operating and other expenses	45,022	1,873,263	1,048,549	2,966,834
Income (loss) before income taxes and minority interests	(52,371)	679,000	407,517	1,034,146
Income tax expense	—	231,196	141,097	372,293
Income (loss) before minority interests	(52,371)	447,804	266,420	661,853
Minority interests	—	—	(636)	(636)
Net income (loss)	\$ (52,371)	\$ 447,804	\$ 267,056	\$ 662,489

Condensed Consolidating Statement of Cash Flows
For the thirty-nine weeks ended November 1, 2008
(in thousands)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Net cash provided by (used in) operating activities	\$ (3,501,226)	\$ 115,643	\$ 4,550,689	\$ 1,165,106
Investing Activities:				
Acquisition of property and equipment	(29,540)	(123,371)	(90,866)	(243,777)
Acquisition of businesses and investment 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	(2,524)	(123,371)	(4,472,677)	(4,598,572)
Financing Activities:				
Proceeds from borrowings and issuance of commercial paper, net	3,711,607	—	—	3,711,607
Payments on borrowings	(360,790)	—	—	(360,790)
Purchase of treasury stock, net	(83,208)	—	—	(83,208)
Excess tax benefits from stock-based compensation arrangements	3,528	2,048	416	5,992
Cash dividends paid	(231,465)	—	—	(231,465)
Other	113,319	—	—	113,319
Cash provided by financing activities	3,152,991	2,048	416	3,155,455
Effect of exchange rate changes on cash and cash equivalents	—	—	(79,737)	(79,737)
Net decrease in cash and cash equivalents	(350,759)	(5,680)	(1,309)	(357,748)
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	\$ 287,784	\$ 36,932	\$ 562,984	\$ 887,700

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

Condensed Consolidating Statement of Cash Flows
For the thirty-nine weeks ended November 3, 2007
(in thousands)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Net cash provided by operating activities	\$ 464,677	\$ 255,139	\$ 122,007	\$ 841,823
Investing Activities:				
Acquisition of property and equipment	(43,687)	(194,182)	(78,036)	(315,905)
Acquisition of businesses and investment in joint ventures, net of cash acquired	—	(82,202)	(96,093)	(178,295)
Purchase of short-term investments	(3,440,117)	—	—	(3,440,117)
Proceeds from the sale of short-term investments	3,776,385	—	—	3,776,385
Cash provided by (used in) investing activities	292,581	(276,384)	(174,129)	(157,932)
Financing Activities:				
Payments on borrowings	(204,889)	—	—	(204,889)
Purchase of treasury stock, net	(578,159)	—	—	(578,159)
Excess tax benefits from stock-based compensation arrangements	9,512	7,715	168	17,395
Cash dividends paid	(207,552)	—	—	(207,552)
Other	136,404	—	—	136,404
Cash (used in) provided by financing activities	(844,684)	7,715	168	(836,801)
Effect of exchange rate changes on cash and cash equivalents	—	—	45,960	45,960
Net decrease in cash and cash equivalents	(87,426)	(13,530)	(5,994)	(106,950)
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	\$ 389,123	\$ 36,157	\$ 485,441	\$ 910,721

Note K – Commitments and Contingencies

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.

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This Quarterly Report on Form 10-Q and, in particular, this management's discussion and analysis 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 the 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 condensed consolidated financial statements and notes to condensed consolidated financial statements included in this report. 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 under the heading "Risk Factors" of this Quarterly Report on Form 10-Q. We do not intend to update publicly any forward-looking statements whether as a result of new information, future events or otherwise.

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. As a result of the acquisition, we 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 is 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 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 condensed 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 2007 and 2008 results, certain operational measures for fiscal 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 accurately isolate 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 accurately quantify the impact of the Corporate Express operations on our overall results, and we'll 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.

Overview

We produced fairly stable results for the third quarter of 2008 despite the challenging economic environment. Excluding sales of \$1.96 billion related to Corporate Express, our consolidated sales declined 3.4% in the third quarter of 2008. Major contributors to the third quarter of 2008 results (as compared to the results for the third quarter of 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 \$6.95 billion in sales, with sales growth of 34.5%.
- North American Retail's comparable store sales declined 8% and business unit income rate fell to 10.3% from 11.1%, as negative comparable store sales drove deleverage in rent and occupancy expenses and labor. Despite these economic challenges, we achieved excellent customer service and continued to invest in our "EasyWay" service model.
- North American Delivery sales grew 61.1% as a result of the acquisition of Corporate Express. Excluding sales of \$1.07 billion related to Corporate Express, sales declined 0.9% on lower sales to existing customers, partially offset by successful customer acquisition and retention efforts and excellent customer service. Business unit income rate declined from 10.9% to 8.8%. Excluding the results of Corporate Express, business unit income increased to 12.3%.
- International Operations sales grew 127.2%. Excluding sales of \$886 million related to Corporate Express, sales declined 1.1% in US dollars and grew 0.4% in local currency. Business unit income rate increased to 3.5% from 3.3% and increased to 3.4% excluding the results of Corporate Express.
- We now operate 2,216 stores worldwide. We had a net addition of 30 stores in North America and a net closure of 5 stores in International Operations.

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

- Implementing a series of retail store business initiatives to drive productivity; including improving the profitability of technology sales, boosting sales of high margin copy and EasyTech services, and reducing the size of our primary "Dover" store format to 18,000 square feet from 20,000 square feet;
- Continued differentiation through our own brand products; and
- Cross-channel initiatives to encourage customers to spend more overall 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, ensure 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 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. Despite this difficult environment, 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 the fourth quarter of 2008 and for 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, amortization of intangibles and interest expense. We expect the following:

- Corporate Express integration synergies building to \$300 million annually over a three year integration period;
- Integration and restructuring expense of \$10 to \$15 million for the fourth quarter of 2008 and \$50 to \$70 million for 2009;
- Amortization of intangibles of \$30 to \$35 million for the fourth quarter of 2008 and \$110 to \$120 million for 2009; and
- Net interest expense of \$60 to \$70 million for the fourth quarter of 2008 and \$220 to \$250 million for 2009.

Consolidated Performance:

Net income for the third quarter of 2008 was \$156.7 million, or \$0.22 per diluted share, compared to \$274.5 million or \$0.38 per diluted share for the third quarter of 2007. Net income for year-to-date 2008 was \$519.2 million, or \$0.73 per diluted share, compared to \$662.5 million, or \$0.92 per diluted share, for year-to-date 2007. Our results for the third quarter and year-to-date 2008 include the results of the newly acquired Corporate Express business since its acquisition on July 2, 2008. Our results for the third quarter and year-to-date 2008 also include pretax integration and restructuring costs of \$132.3 million and \$132.4 million, respectively, and total net interest expense before taxes of \$54.5 million and \$65.2 million, respectively, which substantially relates to our acquisition financing. Our results reflect our continuing 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, our focus on higher margin Staples brand products, our continued focus on customer acquisition and retention efforts, and expense control were key contributors to sustaining our performance in the third quarter of 2008, despite the negative impact of a weakened economy on our customers and our organic sales growth.

Sales: Sales for the third quarter of 2008 were \$6.95 billion, an increase of 34.5% from the third quarter of 2007. Sales for year-to-date 2008 were \$16.91 billion, an increase of 20.4% from year-to-date 2007. Our sales growth for the third quarter and year-to-date 2008 reflects sales of \$1.96 billion and \$2.63 billion, respectively, from the Corporate Express business. Excluding the sales from Corporate Express, sales decreased 3.4% for the third quarter and increased 1.7% for year-to-date 2008. The 3.4% decline for the third quarter of 2008 was substantially driven by an 8% decrease in comparable store sales in our North American Retail business and, to a much lesser degree, the negative impact of foreign exchange rates of \$52.2 million. This sales decline was partially offset by sales from new stores opened in our North American Retail business. The 1.7% sales growth for year-to-date 2008 was primarily driven by the following three factors, in order of magnitude: increased sales from new stores opened, the positive impact of foreign exchange rates of \$195.9 million, and organic growth in our delivery businesses. This growth was partially offset by a 6% decrease in comparable store sales in our retail businesses.

Gross Profit: Gross profit as a percentage of sales was 26.8% for the third quarter of 2008 and 27.1% for year-to-date 2008 compared to 29.1% for the third quarter of 2007 and 28.5% for year-to-date 2007. Our gross profit rate for the third quarter and year-to-date 2008 was negatively impacted by 2.4% and 1.2%, respectively, due to the inclusion of the results of Corporate Express, whose gross profit rate is lower than our existing businesses. The negative impact of Corporate Express on our gross profit rate for the third quarter was offset primarily by improved product margins in our North American businesses and, to a lesser extent, supply chain improvements in all our segments substantially offset by deleverage in fixed occupancy costs on a decrease in comparable store sales in North American Retail. For year-to-date 2008, the net decrease in gross profit rate primarily reflects deleverage in fixed occupancy costs on a decrease in comparable store sales in North American Retail, partially offset by improved product margins in our North American businesses and, to a lesser extent, supply chain improvements in all of our segments.

Selling, General and Administrative Expenses: Selling, general and administrative expenses were 18.9% of sales for the third quarter and 20.4% of sales for year-to-date 2008 compared to 20.8% for the third quarter of 2007 and 21.1% for year-to-date 2007. Selling, general and administrative expenses as a percentage of sales for the third quarter and year-to-date 2008 includes a 1.2% and 0.8% improvement, respectively, related to the inclusion of the results of Corporate Express, whose selling, general and administrative expense rate is lower than our existing businesses. The net decrease in selling, general and administrative expenses for the third quarter, after adjusting for the improvement from Corporate Express, was primarily driven by the \$38.0 million charge related to the California wage and hour class action lawsuits included in the prior year and, to a lesser extent, decreased marketing expenses in all our businesses, partially offset by deleverage in labor on a decrease in comparable store sales in our North American Retail business. The net increase in selling, general and administrative expenses for year-to-date 2008, after adjusting for the improvement from Corporate Express, primarily reflects deleverage in labor, partially offset by the \$38.0 million charge related to the California wage and hour class action lawsuits included in the prior year and, to a lesser extent, decreased marketing expenses in all of our businesses. 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 \$132.3 million and \$132.4 million for the third quarter and year-to-date 2008, respectively. These expenses reflect costs associated with the integration of Corporate Express with the Company’s pre-existing business and the consolidation of certain operations of the Company. Included in integration and restructuring costs for the third quarter and year-to-date 2008 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 the European catalog business. For the third quarter of 2008, integration and restructuring costs also include \$7.4 million of consulting fees, \$0.6 million of travel related expenses and a \$0.5 million charge for employee retention costs.

Amortization of Intangibles: Amortization of intangibles was \$28.0 million for the third quarter of 2008 and \$46.4 million for year-to-date 2008 compared to \$4.4 million for the third quarter of 2007 and \$11.7 million for year-to-date 2008, reflecting the amortization of certain tradenames, customer relationships and noncompetition agreements. Amortization expense relating to the intangibles resulting from our acquisition of Corporate Express was \$24.5 million and \$34.9 million for the third quarter and year-to-date 2008, respectively.

Interest income: Interest income decreased to \$5.4 million for the third quarter of 2008 and \$23.1 million for year-to-date 2008 from \$8.7 million for the third quarter of 2007 and \$34.9 million for year-to-date 2007. The decrease in interest income for the third quarter and year-to-date 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.

Interest expense: Interest expense increased to \$59.9 million for the third quarter of 2008 and \$88.3 million for year-to-date 2008 from \$8.5 million for the third quarter of 2007 and \$30.7 million for year-to-date 2007. The increase in interest expense for the third quarter and year-to-date 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 below) relating to our acquisition of Corporate Express, slightly offset by the impact of the repayment of our \$200.0 million 7.125% senior notes in August 2007. We use interest rate swap agreements to convert our fixed rate debt obligations into variable rate obligations. Excluding the impact of our interest rate swap agreements, interest expense would have been \$60.8 million for the third quarter of 2008 and \$90.5 million for year-to-date of 2008 compared to \$7.6 million for the third quarter of 2007 and \$29.1 million for year-to-date 2007.

Miscellaneous expense: Miscellaneous expense was \$2.8 million for the third quarter and \$3.2 million year-to-date 2008, compared to miscellaneous income of \$0.01 million for the third quarter of 2007 and miscellaneous expense of \$1.5 million for year-to-date 2007. These amounts primarily reflect foreign exchange gains and losses recorded in the respective periods.

Income Taxes: Our effective tax rate was 51.6% and 40.9% for the third quarter and year-to-date 2008, respectively, compared to 36.0% for the third quarter and year-to-date 2007. The increase in our effective tax rate in 2008 was due to the establishment of a reserve of \$57.0 million related to foreign tax credits expected to expire. We continue to develop plans to minimize our tax expense considering the tax attributes of the combined entity. As a result of our tax planning it is possible that we could reverse a portion or all of this reserve in future periods. Our effective tax rate from operations for the third quarter and year-to-date 2008 remains at 34.5%. The decrease in the effective tax rate from operations compared to the prior year was due to geographical changes in the mix of earnings, primarily attributable to the acquisition of Corporate Express.

Segment Performance:

Our business is comprised of three segments: North American Retail, North American Delivery and International Operations. Our North American Retail segment consists of the U.S. and Canadian business units that operate office products stores. 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 businesses, and includes Staples Business Delivery, Quill and Contract (including Corporate Express). 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 our acquisition of Corporate Express, we allocated assets of \$3.90 billion and \$3.09 billion to the North American Delivery and International Operations segments, respectively. The Corporate Express assets include goodwill and intangible assets of \$3.35 billion, of which \$2.22 billion and \$1.14 billion were allocated to the North American Delivery and International Operations segments, respectively.

The following tables provide a summary of our sales and business unit income by reportable segment. Business unit income excludes integration and restructuring costs, stock-based compensation, interest and other expense, income taxes, 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 I to the Condensed Consolidated Financial Statements included in this report):

	(Amounts in thousands)		November 1,	November 3,
	13 Weeks Ended		2008	2007
	November 1,	November 3,	Increase	November 3,
	2008	2007	(Decrease)	Increase From
			From	Prior Year
			Prior Year	Prior Year
Sales:				
North American Retail	\$ 2,599,204	\$ 2,750,884	(5.5)%	3.2%
North American Delivery	2,783,195	1,727,141	61.1%	14.7%
International Operations	1,568,534	690,326	127.2%	17.8%
Total sales	\$ 6,950,933	\$ 5,168,351	34.5%	8.7%

	(Amounts in thousands)		November 1,	November 3,
	13 Weeks Ended		2008	2007
	November 1,	November 30,	% of Sales	% of Sales
	2008	2007		
Business Unit Income:				
North American Retail	\$ 267,558	\$ 305,869	10.3%	11.1%
North American Delivery	246,206	187,450	8.8%	10.9%
International Operations	55,624	23,064	3.5%	3.3%
Business unit income	569,388	516,383	8.2%	10.0%
Stock-based compensation	(47,399)	(50,078)	(.7)%	(1.0)%
Integration and restructuring costs	(132,282)	—	(1.9)%	—%
Impact of wage and hour settlement	—	(38,000)	—%	(0.7)%
Total segment income	\$ 389,707	\$ 428,305	5.6%	8.3%

	(Amounts in thousands)		November 1,	November 3,
	39 Weeks Ended		2008	2007
	November 1,	November 3,	Increase	November 3,
	2008	2007	(Decrease)	Increase From
			From	Prior Year
			Prior Year	Prior Year
Sales:				
North American Retail	\$ 7,095,568	\$ 7,225,679	(1.8)%	3.5%
North American Delivery	6,469,487	4,896,999	32.1%	15.2%
International Operations	3,345,152	1,925,562	73.7%	17.4%
Total sales	\$ 16,910,207	\$ 14,048,240	20.4%	9.1%

	(Amounts in thousands)		November 1,	November 3,
	39 Weeks Ended		2008	2007
	November 1,	November 3,	% of Sales	% of Sales
	2008	2007		
Business Unit Income:				
North American Retail	\$ 546,342	\$ 652,252	7.7%	9.0%
North American Delivery	583,023	507,380	9.0%	10.4%
International Operations	94,364	42,954	2.8%	2.2%
Business unit income	1,223,729	1,202,586	7.2%	8.6%
Stock-based compensation	(134,196)	(133,196)	(0.8)%	(0.9)%
Integration and restructuring costs	(132,445)	—	(0.8)%	—%
Impact of wage and hour settlement	—	(38,000)	—%	(0.3)%
Total segment income	\$ 957,088	\$ 1,031,390	5.7%	7.3%

North American Retail: Sales decreased 5.5% for the third quarter of 2008 and 1.8% for year-to-date 2008. The decrease in the third quarter is primarily due to an 8% decrease in comparable store sales, reflecting a reduction in average order size and, to a lesser extent, reduced traffic. Foreign exchange rates had a negative impact of \$36.4 million. This decline was partially offset by non-comparable sales for new stores opened in the past 12 months. The slight decrease in sales for year-to-date 2008 primarily reflects a 7% decrease in comparable stores, substantially offset by non-comparable sales for new stores opened in the past 12 months and, to a lesser extent, the positive impact of foreign exchange rates of \$60.9 million. Our comparable store sales decrease in the third quarter and year-to-date 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. For year-to-date 2008, our decrease in consumable sales was slightly offset by positive performance in ink and toner. We added 30 stores to the North American store base in the third quarter of 2008. As of November 1, 2008, the North American store base included 1,832 open stores compared to 1,715 stores as of November 3, 2007 and 1,738 stores as of February 2, 2008.

Business unit income as a percentage of sales decreased to 10.3% for the third quarter of 2008 and 7.7% for year-to-date 2008 from 11.1% for the third quarter of 2007 and 9.0% for year-to-date 2007. The decrease in business unit income as a percentage of sales for the third quarter and year-to-date 2008 primarily reflects deleverage in fixed costs resulting from a decrease in comparable store sales and, to a lesser extent, deleverage in labor in order to maintain 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.

North American Delivery: Sales increased 61.1% for the third quarter of 2008 and 32.1% for year-to-date 2008 compared to the third quarter and year-to-date 2007. Excluding non-comparable sales from Corporate Express of \$1.07 billion and \$1.43 billion for the third quarter and year-to-date 2008, respectively, sales would have decreased 0.9% for the third quarter and increased 3.0% for year-to-date 2008. This slight decrease in sales for the third quarter of 2008 reflects lower sales to existing customers, partially offset by our customer acquisition and retention efforts. The year-to-date sales growth reflects the impact of our customer acquisition and retention efforts, partially offset by lower sales to existing customers.

Business unit income as a percentage of sales was 8.8% for the third quarter of 2008 and 9.0% for year-to-date 2008 compared to 10.9% for the third quarter of 2007 and 10.4% for year-to-date 2007. Business unit income as a percentage of sales for the third quarter of 2008 and for year-to-date 2008 was reduced by 3.5% and 1.8%, respectively, due to the inclusion of the results of Corporate Express, whose business unit income rate is lower than our existing businesses. Excluding the impact of Corporate Express for the third quarter of 2008, the increase in business unit income was primarily due to reduced marketing expense and an increase in product margin rates and, to a lesser extent, supply chain improvements. Excluding the impact of Corporate Express for year-to-date 2008, the increase in business unit income primarily reflects reduced marketing expense and, to a lesser extent, supply chain improvements.

International Operations: Sales increased 127.2% for the third quarter of 2008 and 73.7% for year-to-date 2008 compared to the third quarter and year-to-date 2007. Excluding non-comparable sales from Corporate Express of \$885.9 million and \$1.20 billion for the third quarter and year-to-date 2008, respectively, sales would have decreased 1.1% and increased 11.2% for the third quarter and year-to-date 2008, respectively. The decline for the third quarter was the result of a decrease in comparable store sales of 6% and, to a lesser extent, the negative impact of foreign exchange rates of \$10.7 million, partially offset by organic growth from our delivery businesses. The increase for year-to-date 2008 was the result of the positive impact of foreign exchange rates of \$126.1 million and, to a lesser extent, organic growth from our delivery businesses offset by a 3% decrease in comparable store sales. As of November 1, 2008, the International store base included 384 open stores compared to 293 stores as of November 3, 2007 and 300 stores as of February 2, 2008.

Business unit income as a percentage of sales increased to 3.5% for the third quarter of 2008 and 2.8% for year-to-date 2008 from 3.3% for the third quarter of 2007 and 2.2% for year-to-date 2007. Of the 0.2% increase in business unit

income as a percentage of sales for the third quarter and the 0.6% increase in business unit income as a percentage of sales for year-to-date 2008, 0.2% and 0.4%, respectively, was due to the inclusion of the results of Corporate Express, whose business unit income rate is higher than our existing businesses. The business unit income rate was flat for the third quarter of 2008, excluding the impact of Corporate Express. The flat performance for the third quarter of 2008 reflects reduced marketing expenses, improvement in product margin rates due to product mix, better buying and own brand penetration in our European businesses and, to a lesser extent, supply chain improvements and our focus on expense control. These improvements were offset by increased losses in our Asian businesses. The net improvement for year-to-date 2008, excluding the impact of Corporate Express, primarily reflects improvement in product margin rates due to product mix, better buying and own brand penetration in our European businesses and, to a lesser extent, supply chain improvements and our focus on expense control, partially offset by increased losses in our Asian businesses.

Stock-Based Compensation: Stock-based compensation decreased to \$47.4 million for the third quarter of 2008 and increased to \$134.2 million for year-to-date 2008 from \$50.1 million in the third quarter of 2007 and \$133.2 million for year-to-date 2007. Stock-based compensation includes expenses associated with our employee stock purchase plans, the issuance of stock options, restricted shares, and performance share awards, as well as the company match in the employee 401(k) savings plan. The decrease in the third quarter and the increase in year-to-date 2008 primarily reflect changes in the mix of equity awards granted.

Critical Accounting Policies and Significant Estimates

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of these statements requires management to make significant judgments and estimates. Some accounting policies have a significant impact on amounts reported in these financial statements. A summary of significant accounting policies and a description of accounting policies that are considered critical may be found in our 2007 Annual Report on Form 10-K, filed on March 4, 2008, in Note A of the Notes to the Condensed Consolidated Financial Statements and in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations. There have been no material changes to the Accounting Policies or our application of the Accounting Policies, as disclosed in our 2007 Annual Report on Form 10-K, since March 4, 2008.

Liquidity and Capital Resources

Cash Flows

Cash provided by operations was \$1.17 billion for year-to-date 2008 compared to \$841.8 million for year-to-date 2007. The increase in operating cash flow from year-to-date 2007 to year-to-date 2008 is primarily due to a decrease in the change in working capital as compared to the change in working capital of the prior year.

Cash used in investing activities was \$4.60 billion for year-to-date 2008 compared to \$157.9 million for year-to-date 2007. The change between 2008 and 2007 is primarily due to the 2.8 billion Euro acquisition (approximately \$4.4 billion, net of acquired cash) of Corporate Express.

Cash provided by financing activities was \$3.16 billion for year-to-date 2008 compared to cash used in financing activities of \$836.8 million for year-to-date 2007. The increase in cash provided by financing activities for year-to-date 2008 is primarily related to borrowings made pursuant to the 2008 Agreement, which serves as a backstop to our Commercial Paper Program, our Commercial Paper Program, the 2008 Term Credit Facility and the Revolving Credit Facility (each as defined below) to fund the acquisition of Corporate Express. The increase in cash provided by financing activities is also the result of the repayment of our \$200 million 7.125% senior notes in August 2007. In addition, under our share repurchase program, we repurchased 2.8 million shares for \$65.0 million during year-to-date 2008 and 23.3 million shares for \$567.4 million during year-to-date 2007. At the present time, we have suspended our share repurchase program as a result of the acquisition of Corporate Express.

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, as a result of the acquisition of Corporate Express, we entered into the 2008 Agreement which serves as a backstop to the Commercial Paper Program,

and the 2008 Term Credit Facility (each as defined below). We also amended our Revolving Credit Facility. As of November 1, 2008, largely in connection with the acquisition of Corporate Express, we had borrowings outstanding of \$1.57 billion under the 2008 Agreement, \$948.7 million under the Commercial Paper Program, \$150.0 million under the 2008 Term Credit Facility and \$668.0 million under the Revolving Credit Facility. On November 26, 2008, we repaid the entire remaining balance due on the 2008 Term Credit Facility.

We had \$1.57 billion in total cash and funds available through credit agreements at November 1, 2008, which consisted of \$685.0 million of available credit and \$887.7 million of cash and cash equivalents.

A summary, as of November 1, 2008, of balances available under credit agreements and debt outstanding is presented below (amounts in thousands):

	Available Credit	Debt Outstanding	Payments Due By Period		
			Less than 1 Year	1 - 2 Years	3 - 5 Years
2008 Agreement due July 2009	\$ 478,129	\$ 1,569,000	\$ 1,569,000		
Commercial Paper Program	—	948,728	948,728		
2008 Term Credit Facility effective through November 2008	—	150,000	150,000		
Revolving Credit Facility effective through October 2011	60,744	668,000	—		668,000
Senior Notes due October 2012	—	325,000			325,000
Lines of credit	146,165	249	249		
Other notes payable and capital leases	—	422,602	272,355	150,247	
Total	\$ 685,038	\$ 4,083,579	\$ 2,940,332	\$ 150,247	\$ 993,000

We issue letters of credit under our Revolving Credit Facility in the ordinary course of business. At November 1, 2008, we had \$21.3 million of open letters of credit and \$668.0 million of borrowings, thus reducing the available credit under our Revolving Credit Facility from \$750.0 million to \$60.7 million.

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.

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, with the aggregate principal amount of the loans outstanding not to exceed the maximum borrowing amount of \$3.0 billion. 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 same subsidiaries that guarantee our publicly issued notes, the Commercial Paper Program, the 2008 Term Credit Facility and the Revolving Credit Facility (each 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).

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.

On June 9, 2008, we entered into a commercial paper program (the "Commercial Paper Program") on a private placement basis under which we may issue unsecured commercial paper notes (the "Notes") up to a maximum aggregate principal amount outstanding at any time of \$3.0 billion. The 2008 Agreement serves as a backstop 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 same subsidiaries that guarantee our publicly issued notes, our 2008 Agreement, our 2008 Term Credit Facility, and our Revolving Credit Facility. The Commercial Paper Program contains customary events of default with corresponding grace periods. As of November 1, 2008, the Notes have a weighted average remaining maturity of 15 days with a weighted average interest rate of 3.97%.

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. The 2008 Term Credit Facility provides for borrowing of a maximum aggregate principal amount of up to \$400.0 million. Borrowings under the 2008 Term Credit Facility may be used by us for working capital and in connection with our acquisition of Corporate Express, including the repayment of Corporate Express' indebtedness. Amounts borrowed under the 2008 Term Credit Facility once borrowed may not be reborrowed. The 2008 Term Credit Facility contains customary affirmative and negative covenants that are substantially the same as those in our 2008 Agreement and our Revolving Credit Facility, has the same financial covenants as the 2008 Agreement and Revolving Credit Facility and provides for customary events of default with corresponding grace periods that are substantially the same as those in our 2008 Agreement. On November 26, 2008, we repaid the entire remaining balance due on the 2008 Term Credit Facility.

In addition, in connection with our acquisition of Corporate Express, we assumed the obligations under Corporate Express' U.S. Securitization Program and the European Securitization Program (the "Securitization Programs"). As of November 1, 2008, we were able to borrow a maximum of \$200.0 million and EUR 75.0 million (approximately \$98 million based on exchange rates on that date) under the Securitization Programs. As of November 1, 2008, the utilized balance under the U.S. Securitization Program was \$186.7 million and, based on the exchange rates on this date, the utilized balance under the European Securitization Program was \$47.9 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.

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 an annual cash dividend. 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.

We plan to terminate our 2008 Agreement and execute our permanent financing before July 2009, and we will use the most attractive resources that are available on the market, whether it be bank financing or going to the public bond market. Consistent with our overall capital structure framework, our goals for the 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 \$200 million on capital expenditures during the fourth quarter of 2008 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 10 new stores in North America, Europe and Asia during the last quarter of 2008. We estimate that our cash requirements, including pre-opening expenses, net inventory, leasehold improvements and fixtures, will be approximately \$1.4 million for each new store. We may also use additional funds to purchase lease rights from tenants occupying retail space that is suitable for a Staples store.

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. However, we have typically targeted and expect to continue to target acquisitions that are small, aligned with our existing businesses, focused on both strengthening our presence in existing markets and expanding our presence into new geographies that could become long-term meaningful drivers of our business, and financed from our operating cash flows.

We paid a cash dividend of \$0.33 per share of common stock on April 17, 2008, to shareholders of record on March 28, 2008, resulting in a total dividend payment of \$231.5 million. In 2007, we paid a cash dividend of \$0.29 per share of common stock on April 19, 2007, to shareholders of record on March 30, 2007, resulting in a total dividend payment of \$207.6 million. While it is our intention to pay annual cash dividends in years following 2008, 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.

Inflation and Seasonality

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates and foreign exchange rates.

At November 1, 2008, as a result of our acquisition of Corporate Express, there have been changes in the interest rate market risk information disclosed by us in our Annual Report on Form 10-K for the year ended February 2, 2008.

Our variable rate obligations, approximately \$4.08 billion at November 1, 2008, expose us to the risk of rising interest rates. At November 1, 2008, we had borrowings under the 2008 Agreement, the Commercial Paper Program, the 2008 Term Credit Facility and the Revolving Credit Facility. Management does not believe that the potential interest rate exposure is material to our overall financial position or results of operations. Based on November 1, 2008 borrowing levels, a 1.0% increase or decrease in current market interest rates would have the effect of causing a \$40.8 million additional pre-tax charge or credit to our statement of operations.

More detailed information concerning market risk can be found under the sub-caption “Quantitative and Qualitative Disclosures about Market Risks” of the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page B-10 of our Annual Report on Form 10-K filed on March 4, 2008 for the year ended February 2, 2008.

Item 4. Controls and Procedures

Evaluation of 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 November 1, 2008, 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 November 1, 2008, the chief executive and chief financial officers concluded that the Company’s disclosure controls and procedures were effective at the reasonable assurance level at that date.

Changes in 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 process to be completed during 2009.

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 November 1, 2008 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

STAPLES, INC. AND SUBSIDIARIES

PART II — OTHER INFORMATION

Item 1A. Risk Factors

An updated description of the risk factors associated with our business is set forth below. These risk factors have been updated from those included in our Annual Report on Form 10-K to, among other things, reflect the risks associated with the general decline of the worldwide economy, our acquisition of Corporate Express, and our increased debt commitments.

Economic conditions may 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 and international 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 increased 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, 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, time-consuming and potentially expensive process and 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 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 achieve synergies and cost savings growing to approximately \$300 million annually over a three year period. However, there is no guarantee that we will achieve these synergies and cost savings or timing of these synergies and cost savings even if they are ultimately achieved. Our ability to achieve these synergies and costs savings could be affected by the factors referenced above as well

as other factors specified in these risk factors, including economic conditions. 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 past several years. While we cannot provide any assurances about our future sales or earnings, we anticipate that our business will continue to grow organically and through strategic acquisitions. Accordingly, sales of our products and services, the number of stores that we operate, the number of countries in which we conduct business and the number of associates working with us have grown, and we expect they will continue to grow. This growth places significant demands on management and operational systems. If we cannot effectively expand and support our operational, information and financial systems, increase and manage our associate base, and share critical information and best practices across different business groups and geographies, this growth 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.

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 than we did in recent prior periods. During the fourth quarter of 2008, we plan to open approximately 10 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 successfully, especially as we allocate time and resources to managing the profitability of our large existing portfolio of stores and renewing our existing store leases on 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.

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. Our consolidated outstanding debt as of November 1, 2008 was \$4.08 billion, with a major portion of it due next year. If we are unable to satisfy our debt service requirements, we may default under one or more of our credit facilities. 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 important 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 attract and retain qualified associates.

Our retail and delivery customers value courteous and knowledgeable associates, and an important part of our “Easy” brand strategy is providing our customers with a positive customer service experience. Accordingly, our

performance is dependent on attracting and retaining a large and growing 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 generally 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. In addition, 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 may result in litigation and increase our labor costs. If we are unable to attract and retain a sufficient number of qualified associates or our labor costs increase significantly, 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 rent expense 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 promotion 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 together represented approximately 22% of our total sales in fiscal 2007. 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

harmful 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 website, or otherwise communicate and interact with us. We also gather and retain information about our associates in the normal course of business. We may share information about such persons with vendors that assist with certain aspects of our business. Despite instituted safeguards for the protection of such information, we cannot be certain that all of our systems are entirely free from vulnerability to attack. Computer hackers may attempt to penetrate our or our vendors' network security and, if successful, misappropriate confidential customer or business information. In addition, a 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 may adversely affect our business and financial performance.

We are involved in various legal proceedings, which include consumer, employment, intellectual property, tort and other litigation. The resolution of these legal proceedings could require us to pay substantial amounts of money or take actions that adversely affect our operations. In addition, defending against these proceedings 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 that could adversely affect our business and financial performance.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 reporting period.

Item 6. Exhibits

The exhibits listed on the Exhibit Index immediately preceding such exhibits, which is incorporated herein by reference, are filed or furnished as part of this Quarterly Report on Form 10-Q.

SIGNATURES

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

STAPLES, INC.

Date: December 1, 2008

By: /s/ JOHN J. MAHONEY

John J. Mahoney
Vice Chairman and
Chief Financial Officer
(Principal Financial Officer)

By: /s/ CHRISTINE T. KOMOLA

Christine T. Komola
Senior Vice President, Corporate Controller
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
3.1+	Restated Certificate of Incorporation, dated as of September 29, 2008.
10.1+	Amendment No. 2 to Credit Agreement, dated as of September 12, 2008, by and among Staples, Inc., 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, to the Credit Agreement, dated as of April 1, 2008, by and among Staples, Inc., 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.
10.2+	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 Staples, Inc., 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.
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 Staples, Inc., the Lenders parties thereto, Bank of America, N.A., as Administrative Agent, and the other parties thereto.
10.4+	Assignment and Assumption, dated as of September 25, 2008, assigned by Lehman Brothers Commercial Bank to Barclays Bank PLC for the Credit Agreement, dated as of July 1, 2008, among Staples, Inc., the Lenders parties thereto, Lehman Commercial Paper Inc., as Administrative Agent, and the other parties thereto.
10.5+	Letter, dated as of September 29, 2008, assigning Lehman Brothers Inc. interests to Barclays Capital Inc., for the Amended and Restated Commercial Paper Dealer Agreement, dated as of August 6, 2008, among Staples, Inc., Lehman Brothers Inc. and the other parties thereto.
10.6+	Commercial Paper Dealer Agreement among Staples, Inc., JP Morgan Securities Inc. and the other parties thereto, dated as of September 19, 2008.
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
32.2++	Principal Financial Officer – Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

+ Filed herewith

++ Furnished herewith

RESTATED
CERTIFICATE OF INCORPORATION
OF
STAPLES, INC.

PURSUANT TO SECTION 245 OF THE GENERAL
CORPORATION LAW OF THE STATE OF DELAWARE

Staples, Inc. (hereinafter called the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify that at a meeting of the Board of Directors of the Corporation in accordance with the General Corporation Law of the State of Delaware, the Board of Directors adopted a resolution pursuant to Section 245 of the General Corporation Law of the State of Delaware proposing a restatement of the Restated Certificate of Incorporation, as amended, of the Corporation. The Corporation's Certificate of Incorporation was initially filed in the Office of the Secretary of State of the State of Delaware on January 23, 1986.

The Restated Certificate of Incorporation of the Corporation only restates and integrates and does not further amend the provisions of the Corporation's Restated Certificate of Incorporation as theretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of the Second Restated Certificate of Incorporation (other than deletions permitted pursuant to Section 245 of the General Corporation Law of the State of Delaware) which reads in its entirety as follows:

ARTICLE I

NAME

The name of the corporation is: Staples, Inc.

ARTICLE II

PURPOSES

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the General Corporation Code.

ARTICLE III

AGENT FOR SERVICE

The name and address in the State of Delaware of this Corporation's registered agent for service of process is:

The Corporation Trust Company
1209 Orange Street
Wilmington, New Castle County, Delaware 19801

ARTICLE IV

CAPITAL STOCK

The total number of shares of all classes of stock which the Corporation has authority to issue is two billion one hundred five million (2,105,000,000) shares, consisting of two billion one hundred million (2,100,000,000) shares of Common Stock with a par value of \$.0006 per share ("Common Stock") and five million (5,000,000) shares of Preferred Stock with a par value of \$.01 per share ("Preferred Stock").

A. COMMON STOCK

SECTION 1. VOTING RIGHTS. The holders of shares of Common Stock shall be entitled to one vote for each share so held with respect to all matters voted on by the stockholders of the Corporation.

SECTION 2. LIQUIDATION RIGHTS. Upon the dissolution, liquidation or winding up of the Corporation, after any preferential amounts to be distributed to the holders of any series of Preferred Stock then outstanding have been paid or declared and set apart for payment, and subject to the rights, if any, of the holders of any series of Preferred Stock then outstanding to share in any remaining assets of the Corporation, the holders of the Common Stock will be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them, respectively.

SECTION 3. DIVIDENDS. To the extent permitted under the General Corporation Law of Delaware and subject to the rights, if any, of the Preferred Stock, dividends may be paid on the Common Stock as and when declared by the Board of Directors.

B. PREFERRED STOCK

SECTION 1. DESIGNATION. The Preferred Stock shall be designated and known as "Preferred Stock." The number of shares constituting such Preferred Stock shall be 5,000,000.

SECTION 2. RIGHTS AND PREFERENCES. Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors of the Corporation as hereinafter provided. Any shares of Preferred Stock which may be redeemed, purchased or acquired by the Corporation may be reissued except as otherwise provided by law. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly provided.

Authority is hereby expressly granted to the Board of Directors from time to time to issue the Preferred Stock in one or more series, and in connection with the creation of any such series, by resolution or resolutions providing for the issue of the shares thereof, to determine and fix

such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation thereof, dividend rights, conversion rights, redemption privileges and liquidations preferences, as shall be stated and expressed in such resolutions, all to the full extent now or hereafter permitted by the General Corporation Law of Delaware. Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to the Preferred Stock of any other series to the extent permitted by law. Except as otherwise provided in the Certificate of Incorporation, no vote of the holders of the Preferred Stock or Common Stock shall be a prerequisite to the designation or issuance of any shares of any series of the Preferred Stock authorized by and complying with the conditions of the Certificate of Incorporation, the right to have such vote being expressly waived by all present and future holders of the capital stock of the Corporation.

C. SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

SECTION 1. DESIGNATION AND AMOUNT. One million of the authorized and unissued shares of Preferred Stock are designated as “Series A Junior Participating Preferred Stock” (the “Series A Preferred Stock”). Such number of shares may be increased or decreased by resolution of the Board of Directors; *provided*, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

SECTION 2. DIVIDENDS AND DISTRIBUTIONS.

- (a) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value \$0.0006 per share, of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds of the Corporation legally available for the payment of dividends, quarterly dividends payable in cash on March 31, June 30, September 30 and December 31 in each year (each such date being referred to herein as a “Quarterly Dividend Payment Date”), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect

to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

- (b) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (a) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock) and the Corporation shall pay such dividend or distribution on the Series A Preferred Stock before the dividend or distribution declared on the Common Stock is paid or set apart; provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.
- (c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which

record date shall be not more than 60 days prior to the date fixed for the payment thereof.

SECTION 3. VOTING RIGHTS. The holders of shares of Series A Preferred Stock shall have the following voting rights:

- (a) Subject to the provisions for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.
- (b) Except as otherwise provided herein, by law, or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.
- (c)
 - (i) If any time dividends on any Series A Preferred Stock shall be in arrears in an amount equal to six quarterly dividends thereon, the holders of the Series A Preferred Stock, voting as a separate series from all other series of Preferred Stock and classes of capital stock, shall be entitled to elect two members of the Board of Directors in addition to any Directors elected by any other series, class or classes of securities and the authorized number of Directors will automatically be increased by two. Promptly thereafter, the Board of Directors of this Corporation shall, as soon as may be practicable, call a special meeting of holders of Series A Preferred Stock for the purpose of electing such members of the Board of Directors. Said special meeting shall in any event be held within 45 days of the occurrence of such arrearage.
 - (ii) During any period when the holders of Series A Preferred Stock, voting as a separate series, shall be entitled and shall have exercised their right to elect two Directors, then and during such time as such right continues (a) the then authorized number of

Directors shall be increased by two, and the holders of Series A Preferred Stock, voting as a separate series, shall be entitled to elect the additional Director so provided for, and (b) each such additional Director shall not be a member of any existing class of the Board of Directors, but shall serve until the next annual meeting of stockholders for the election of Directors, or until his successor shall be elected and shall qualify, or until his right to hold such office terminates pursuant to the provisions of this Section 3(c).

- (iii) A Director elected pursuant to the terms hereof may be removed with or without cause by the holders of Series A Preferred Stock entitled to vote in an election of such Director.
 - (iv) If, during any interval between annual meetings of stockholders for the election of Directors and while the holders of Series A Preferred Stock shall be entitled to elect two Directors, there is no such Director in office by reason of resignation, death or removal, then, promptly thereafter, the Board of Directors shall cause a special meeting of the holders of Series A Preferred Stock for the purpose of filling such vacancy and such vacancy shall be filled at such special meeting. Such special meeting shall in any event be held within 45 days of the occurrence of such vacancy.
 - (v) At such time as the arrearage is fully cured, and all dividends accumulated and unpaid on any shares of Series A Preferred Stock outstanding are paid, and, in addition thereto, at least one regular dividend has been paid subsequent to curing such arrearage, the term of this office of any Director elected pursuant to this Section 3(c), or his successor, shall automatically terminate, and the authorized number of Directors shall automatically decrease by two, the rights of the holders of the shares of the Series A Preferred Stock to vote as provided in this Section 3(c) shall cease, subject to renewal from time to time upon the same terms and conditions, and the holders of shares of the Series A Preferred Stock shall have only the limited voting rights elsewhere herein set forth.
- (d) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

SECTION 4. CERTAIN RESTRICTIONS.

- (a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears,

thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

- (i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolutions or winding up) to the Series A Preferred Stock;
 - (ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;
 - (iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or
 - (iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.
- (b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at any time and in such manner.

SECTION 5. REACQUIRED SHARES. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new

series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Restated Certificate of Incorporation, as amended, or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

SECTION 6. LIQUIDATION, DISSOLUTION OR WINDING UP

- (a) Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.
- (b) Neither the consolidation, merger or other business combination of the Corporation with or into any other corporation nor the sale, lease, exchange or conveyance of all or any part of the property, assets or business of the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation for purposes of this Section 6.
- (c) In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of paragraph (a) of this Section 6 shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

SECTION 7. CONSOLIDATION, MERGER, ETC. Notwithstanding anything to the contrary contained herein, in case the Corporation shall enter into any consolidation, merger,

combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

SECTION 8. NO REDEMPTION. The shares of Series A Preferred Stock shall not be redeemable.

SECTION 9. RANK. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Preferred Stock issued either before or after the issuance of the Series A Preferred Stock, unless the terms of any such series shall provide otherwise.

SECTION 10. AMENDMENT. The Second Restated Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

SECTION 11. FRACTIONAL SHARES. Series A Preferred Stock may be issued in fractions of a share which are integral multiples of one-hundredth of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and have the benefit of all other rights of holders of Series A Preferred Stock.

ARTICLE V

INDEMNIFICATION

The Corporation shall indemnify its present and former directors and officers to the maximum extent permitted by the General Corporation Law as from time to time amended. The indemnification provided for herein shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise.

ARTICLE VI

EXISTENCE

The Corporation is to have perpetual existence.

ARTICLE VII

BY-LAWS

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the By-Laws of the Corporation.

ARTICLE VIII

STOCKHOLDER MEETINGS AND BOOKS

Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept (subject to any provisions contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation.

ARTICLE IX

AMENDMENT

The Corporation reserves the right to end, alter, change or repeal any provision contained in this Second Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE X

LIMITATION ON DIRECTOR LIABILITY

No director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation law, or (iv) for any transaction in which the director derived an improper personal benefit.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE XI

MEETINGS REQUIRED

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

This Restated Certificate of Incorporation supersedes and takes the place of the heretofore existing Restated Certificate of Incorporation, as amended, of this Corporation and all amendments, certificates and supplements thereto, if any.

IN WITNESS WHEREOF, Staples, Inc. has caused this Restated Certificate of Incorporation to be executed by Mark Weiss its Vice President, this 29th day of September, 2008.

STAPLES, INC.

By: /s/ Mark Weiss
Mark Weiss
Vice President

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**AMENDMENT NO. 2 TO
CREDIT AGREEMENT**

This **AMENDMENT NO. 2 TO CREDIT AGREEMENT** dated as of September 12, 2008 (this "Amendment"), by and among by and among (a) **STAPLES, INC.** (the "Borrower"), a Delaware corporation having its principal place of business at 500 Staples Drive, Framingham, MA 01701, (b) the lending institutions listed under the caption "Lenders" on signature pages hereto (the "Lenders"), (c) **LEHMAN BROTHERS COMMERCIAL PAPER INC.**, as administrative agent (in such capacity, the "Administrative Agent") for the Lenders and (d) **BANK OF AMERICA, N.A.** and **HSBC BANK USA, NATIONAL ASSOCIATION**, as co-syndication agents for the Lenders (collectively, the "Co-Syndication Agents"), amends certain provisions of that certain Credit Agreement, dated as of April 1, 2008 among the Borrower, the Lenders, the Syndication Agent, the Co-Documentation Agents and the Administrative Agent (as amended and in effect from time to time, the "Credit Agreement"). Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Credit Agreement.

WHEREAS, the Borrower, the Administrative Agent and the Lenders desire to amend certain provisions of the Credit Agreement as provided more fully herein below;

NOW THEREFORE, in consideration of the mutual agreements contained in the Credit Agreement and herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

§1. **Amendment to §2.6(a).** §2.6(a) of the Credit Agreement is hereby amended in its entirety to read as follows:

"(a) If after the Effective Date the Borrower or any of its Subsidiaries shall receive Net Cash Proceeds from the incurrence or issuance of any Indebtedness (other than Excluded Indebtedness), not later than ten (10) Business Days following the date of receipt of the Net Cash Proceeds of such Indebtedness the Total Commitment shall be reduced in an amount equal to such Net Cash Proceeds (and the Loans shall be prepaid to the extent required by §2.6(e) hereof); provided that (i) upon such date of receipt of the Net Cash Proceeds the Borrower shall deposit the amount of such Net Cash Proceeds in a deposit account acceptable to the Initial Lenders and such amount shall be held in such account during such ten Business Day period and available for withdrawal by the Borrower only for the purposes of repaying outstanding commercial paper and/or loans under the Existing Credit Agreement, (ii) if, on any date during such ten Business Day period, the Borrower shall use any portion of the amount in such account for the purposes of repaying the amounts specified in clause (i) above, the Total Commitments shall be reduced on such date in the amount equal to each such repayment, (iii) if upon the tenth Business Day following receipt of such Net Cash Proceeds any portion of the amount in such account remains unapplied, the Total Commitments shall be reduced on such date in an amount equal to such unapplied amount and the funds held in such account shall be remitted by the relevant depository institution to the Borrower upon its instructions, (iv)

during such ten Business Day period the Borrower shall use all funds available in such account to repay maturing commercial paper during such period before it shall make any request for a Loan hereunder and (v) without limiting the foregoing, upon the termination of the Total Commitments and repayment of all Loans hereunder, the funds (if any) held in such account shall be remitted by the relevant depository institution to the Borrower upon its instructions.”

§2. Affirmation and Acknowledgement. Each of the Borrower and the Guarantors hereby ratifies and confirms all of its Obligations to the Lenders and the Administrative Agent, including, without limitation, the Loans, and the Borrower hereby affirms its absolute and unconditional promise to pay to the Lenders the Loans, the Obligations, and all other amounts due under the Credit Agreement as amended hereby and each Guarantor hereby affirms its obligations in respect of the Guaranty to which it is a party and all other Obligations payable by it under the Loan Documents.

§3. Representations and Warranties. The Borrower hereby represents and warrants to the Lenders and the Administrative Agent as follows:

(a) The execution, delivery and performance by the Borrower of this Amendment and the transactions contemplated hereby (i) are within the corporate authority of the Borrower, (ii) have been duly authorized by all necessary corporate proceedings, (iii) do not conflict with or result in any breach or contravention of any provision of law, statute, rule or regulation to which the Borrower is subject which would have a material adverse effect either individually or in the aggregate on the Borrower and its Subsidiaries taken as a whole or on the ability of the Borrower to fulfill its obligations under the Credit Agreement and the other Loan Documents to which it is a party, (iv) do not conflict with or result in any breach or contravention of any judgment, order, writ, injunction, license or permit applicable to the Borrower and (v) do not conflict with any provision of the corporate charter or bylaws of, or any agreement or other instrument binding upon, the Borrower.

(b) The execution and delivery of this Amendment will result in valid and legally binding obligations of the Borrower enforceable against it in accordance with the respective terms and provisions hereof and thereof, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefore may be brought.

(c) The execution, delivery and performance by the Borrower of this Amendment and the transactions contemplated hereby do not require the approval or consent of, or filing with, any governmental agency or authority other than those already obtained.

(d) Each of the representations and warranties of the Borrower and its Subsidiaries contained in the Credit Agreements, the other Loan Documents or in any, document or instrument delivered pursuant to or in connection with this Amendment shall be true as of the date hereof, with the same effect as if made at and as of the date hereof (except to the extent of changes resulting from transactions contemplated or permitted by the Credit Agreement and the other

Loan Documents and changes occurring in the ordinary course of business that singly or in the aggregate are not materially adverse, and to the extent that such representations and warranties relate expressly to an earlier date) and no Default or Event of Default shall have occurred and be continuing.

§4. Conditions. This Amendment shall become effective upon the satisfaction of the following conditions precedent:

(a) this Amendment and all related documents, as applicable, shall have been duly executed and delivered by the Borrower, the Required Lenders, the Administrative Agent and each other party thereto, as applicable, and shall be in full force and effect; and

(b) all corporate action necessary for the valid execution, delivery and performance by the Borrower of this Amendment and each of the related documents to which it is or is to become a party, shall have been duly and effectively taken, and evidence thereof reasonably satisfactory to the Administrative Agent shall have been provided to the Administrative Agent.

§5. Miscellaneous Provisions.

§5.1. Except as otherwise expressly provided by this Amendment, all of the terms, conditions and provisions of the Credit Agreement and the Loan Documents shall remain the same. It is declared and agreed by each of the parties hereto that the Credit Agreement and the Loan Documents, as amended hereby, shall continue in full force and effect, and that this Amendment and the Credit Agreement and the Loan Documents shall be read and construed as one instrument. All references in the Credit Agreement or any related agreement or instrument to the Credit Agreement shall hereafter refer to the Credit Agreement as amended hereby.

§5.2. This Amendment shall be construed according to and governed by the laws of the State of New York (excluding the laws applicable to conflicts or choice of law).

§5.3. This Amendment may be executed in any number of counterparts, but all such counterparts shall together constitute but one instrument. In making proof of this Amendment, it shall not be necessary to produce or account for more than one counterpart signed by each party hereto by and against which enforcement hereof is sought.

§5.4. The Borrower hereby agrees to pay to the Administrative Agent, on demand by the Administrative Agent, all reasonable out-of-pocket costs and expenses incurred or sustained by the Administrative Agent in connection with the preparation of this Amendment (including reasonable legal fees).

§5.5. This Amendment shall constitute a Loan Document under the Credit Agreement, and all obligations included in this Amendment (including, without limitation, all obligations for the payment of principal, interest, fees, and other amounts and expenses) shall constitute Obligations under the Loan Documents.

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STAPLES, INC.

By: /s/Nicholas Hotchkin
Name: Nicholas Hotchkin
Title: Senior Vice President, Finance and Treasurer

LEHMAN COMMERCIAL PAPER INC.,
as Administrative Agent

By: /s/ Ahuva Schwager
Name: Ahuva Schwager
Title: Authorized Signatory

LENDERS

LEHMAN COMMERCIAL PAPER INC.

By: /s/ Ahuva Schwager
Name: Ahuva Schwager
Title: Authorized Signatory

BANK OF AMERICA, N.A.,
as Lender and Co-Syndication Agent

By: /s/Thomas J. Kane
Name: Thomas J. Kane
Title: SVP

**HSBC BANK USA, NATIONAL
ASSOCIATION, as Lender and Co-
Syndication Agent**

By: /s/Robert J. Devir
Name: Robert J. Devir
Title: Managing Director

KEY BANK NATIONAL ASSOCIATION

By: /s/Marianne T. Meil
Name: Marianne T. Meil
Title: Senior Vice President

**SUMITOMO MITSUI BANKING
CORPORATION**

By: /s/Yoshihiro Hyakutome
Name: Yoshihiro Hyakutome
Title: General Manager

PNC BANK, NATIONAL ASSOCIATION

By: /s/Michael A. Richards

Name: Michael A. Richards

Title: Senior Vice President

THE BANK OF NOVA SCOTIA

By: /s/Todd Meller

Name: Todd Meller

Title: Managing Director

SOVEREIGN BANK

By: /s/Judith C.E. Kelley

Name: Judith C.E. Kelley

Title: Senior Vice President

Acknowledged and Agreed:

GUARANTORS

STAPLES THE OFFICE SUPERSTORE, LLC

By: /s/Nicholas Hotchkin

Name: Nicholas Hotchkin

Title: Senior Vice President, Finance, Treasurer

STAPLES THE OFFICE SUPERSTORE EAST, INC.

By: /s/Nicholas Hotchkin

Name: Nicholas Hotchkin

Title: Senior Vice President, Finance, Treasurer

STAPLES CONTRACT & COMMERCIAL, INC.

By: /s/Nicholas Hotchkin

Name: Nicholas Hotchkin

Title: Senior Vice President, Finance, Treasurer

STAPLES THE OFFICE SUPERSTORE, LIMITED PARTNERSHIP

By: /s/Nicholas Hotchkin

Name: Nicholas Hotchkin

Title: Senior Vice President, Finance, Treasurer

FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the “Assignment and Assumption”) is dated as of the Effective Date set forth below and is entered into by and between the Assignor (as defined below) and the Assignee (as defined below). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement (as defined below), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex I attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including without limitation any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by the Assignor to the Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as the “Assigned Interest”). Each such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor : Lehman Commercial Paper Inc.
 2. Assignee : Barclays Bank PLC
 3. Credit Agreement: The Credit Agreement dated as of April 1, 2008 among Staples, Inc., the Lenders party thereto. Lehman Commercial Paper Inc., as Administrative Agent, and the other agents party thereto
-

4. Assigned Interest:

<u>Facility Assigned(1)</u>	<u>Amount of Commitment/ Loans Assigned</u>	<u>Percentage Assigned of Commitment/Loans</u>
\$3.0 billion credit agreement	\$ 766,666,666.68	25.555556%

5. Effective Date of Assignment: September 25, 2008(2)

The terms set forth in this Assignment and Assumption are hereby agreed to:

Barclays Bank PLC

Lehman Commercial Paper Inc.

By: /s/ David Barton

By: /s/ Ahuva Schwager

David Barton

Ahuva Schwager

Director

Authorized Signatory

(1) Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment.

(2) To be inserted by Administrative Agent and which shall be effective date of recordation of transfer in the Register therefor.

Accepted and Consented To:

(3) LEHMAN COMMERCIAL PAPER INC.,
as Administrative Agent

By: /s/ Ahuva Schwager
Ahuva Schwager
Authorized Signatory

Consented To:

STAPLES, INC.,
as Borrower

By: /s/ Nicholas Hotchkin
SVP Finance, Treasurer

(3) Insert appropriate consenting parties required under Credit Agreement

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an Eligible Assignee under the Credit Agreement (subject to receipt of such consents, if any, as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to the Credit Agreement, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, and (vii) if it is a Non-U.S. Lender, attached to this Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without

reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

FORM OF ASSIGNMENT AND ACCEPTANCE

This Assignment and Acceptance (the “Assignment and Acceptance”) is dated as of the Effective Date set forth below and is entered into by and between *Lehman Commercial Paper Inc.* (the “Assignor”) and *Barclays Bank PLC* (the “Assignee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the “Credit Agreement”), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex I attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Acceptance as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (a) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including without limitation any letters of credit, guarantees, and swingline loans included in such facilities) and (b) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (a) above (the rights and obligations sold and assigned pursuant to clauses (a) and (b) above being referred to herein collectively as the “Assigned Interest”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Acceptance, without representation or warranty by the Assignor.

1. Assignor: Lehman Commercial Paper Inc.
2. Assignee: Barclays Bank PLC
[and is an Affiliate/Approved Fund of [*identify Lender*](1)]
3. Borrower: Staples, Inc.
4. Administrative Agent: Bank of America, N.A.
as the administrative agent under the Credit Agreement

(1) Select as applicable.

5. Credit Agreement: The Amended and Restated Revolving Credit Agreement dated as of October 13, 2006 among Staples, Inc., the Lenders parties thereto, Bank of America, N.A., as Administrative Agent, and the other agents parties thereto

6. Assigned Interest:

<u>Aggregate Amount of Commitment/Loans for all Lenders(1)</u>	<u>Amount of Commitment/Loans(1)</u>	<u>Percentage Assigned of Commitment/Loans(2)</u>
\$ 750,000,000.00	\$ 25,000,000.00	3.33333%

[7. Trade Date:](3)

Effective Date: September 25, 2008.

The terms set forth in this Assignment and Acceptance are hereby agreed to:

ASSIGNOR

Lehman Commercial Paper Inc.

By: /s/ Ahuva Schwager

Ahuva Schwager

Title: Authorized Signatory

ASSIGNEE

Barclays Bank PLC

By: /s/ David Barton

David Barton

Title: Director

Consented to and Accepted:

BANK OF AMERICA, N.A., as

Administrative Agent, Issuing Bank and
lender of the Swing Line Loans

By: /s/ Illegible

Title: Illegible

(1) Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

(2) Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

(3) To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

Consented(3)

Staples, Inc.

By: N/A

Title:

(3) Include if Borrower consented to Assignment under Credit Agreement.

The Amended and Restated Revolving Credit Agreement dated as of October 13, 2006, among Staples, Inc., the Lenders parties thereto, Bank of America, NA, as Administrative Agent, and the other agents parties thereto

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ACCEPTANCE

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an Eligible Assignee under the Credit Agreement (subject to receipt of such consents, if any, as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to §§5.4 and 6.4 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Non-U.S. Lender, attached to this Assignment and Acceptance is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and

information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to, on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

3. General Provisions. This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Acceptance by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

STAPLES TERM ASSIGNMENT**EXHIBIT D****FORM OF ASSIGNMENT AND ASSUMPTION**

This Assignment and Assumption (the “Assignment and Assumption”) is dated as of the Effective Date set forth below and is entered into by and between the Assignor (as defined below) and the Assignee (as defined below). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement (as defined below), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex I attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including without limitation any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by the Assignor to the Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as the “Assigned Interest”). Each such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

- | | |
|----------------------|---|
| 1. Assignor : | <u>Lehman Brothers Commercial Bank</u> |
| 2. Assignee : | <u>Barclays Bank PLC</u> |
| 3. Credit Agreement: | The Credit Agreement dated as of July 1, 2008 among Staples, Inc., the Lenders party thereto, Lehman Commercial Paper Inc., as Administrative Agent, and the other agents party thereto |
-

4. Assigned Interest:

<u>Facility Assigned(1)</u>	<u>Amount of Commitment/ Loans Assigned</u>	<u>Percentage Assigned of Commitment/Loans</u>
\$150 million Incremental Term Loan (original commitment was \$400 million)	\$ 42,500,000.00	28.3333%

5. Effective Date of Assignment: September 25, 2008(2)

The terms set forth in this Assignment and Assumption are hereby agreed to:

Barclays Bank PLC

By: /s/ David Barton

David Barton

Director

Lehman Brothers Commercial Bank

By: /s/ Darren Lane

Darren Lane

Operations Officer

(1) Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment.

(2) To be inserted by Administrative Agent and which shall be effective date of recordation of transfer in the Register therefor.

Accepted and Consented To:

(3) LEHMAN COMMERCIAL PAPER INC.,
as Administrative Agent

By: /s/ Ahuva Schwager
Ahuva Schwager
Authorized Signatory

Consented To:

STAPLES, INC.,
as Borrower

By: /s/ Nicholas Hotchkin
SVP Finance, Treasurer

(3) Insert appropriate consenting parties required under Credit Agreement

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an Eligible Assignee under the Credit Agreement (subject to receipt of such consents, if any, as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to the Credit Agreement, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, and (vii) if it is a Non-U.S. Lender, attached to this Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without

reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

September 29, 2008

Staples, Inc.
Staples The Office Superstore, LLC
Staples The Office Superstore East, In.
Staples Contract & Commercial, Inc.
Staples the Office Superstore, Limited Partnership

Re: Agreement dated August 6, 2008 among Lehman Brothers, Inc. ("LBI"), Staples, Inc., Staples The Office Superstore LLC, Staples The Office Superstore East, Inc., Staples Contract & Commercial, Inc., and Staples The Office Superstore, Limited Partnership ("Counterparties") regarding the issue of commercial paper (the "Agreement")

As you may be aware, Barclays Capital Inc. ("BCI") has entered into a transaction with LBI pursuant to which BCI has acquired certain assets of LBI relating to LBI's investment banking and capital markets businesses. The sale transaction closed September 22, 2008. Prior to the closing of the sale, LBI's parent company, Lehman Brothers Holdings Inc. ("LBHL," together with LBI "Lehman"), commenced a voluntary case under chapter 11 of the Bankruptcy Code and LBI commenced a proceeding under the Securities Investor Protection Act. The Asset Purchase Agreement governing the sale transaction, as approved by the Bankruptcy Court, provides BCI the right to have contracts related to the purchased assets assumed by the trustee overseeing LBI's SIPA proceeding (the "SIPC Trustee") and assigned to BCI in connection with the sale.

At the request of BCI, LBI is assigning its rights, and BCI is assuming LBI's obligations, under the Agreement, to which Counterparties are each a counterparty. The SIPC Trustee and BCI have determined that there are no amounts outstanding or other obligations of LBI that must be cured in connection with the assumption and assignment of the Agreement to BCI; however, let us know if you disagree

We ask that you sign below to acknowledge and consent to the assumption and assignment of the Agreement to BCI. From and after your acknowledgement and consent, LBI and its estate will have no obligations or liability under the Agreement.

BCI looks forward to working with you.

HUGHES HUBBARD & REED LLP

BARCLAYS CAPITAL INC.

/s/ Illegible
Attorneys for James W. Giddens,
Trustee for the SIPA Liquidation
of Lehman Brothers Inc.

/s/ Mark Bamford
By: Mark Bamford
Title: Managing Director

ACKNOWLEDGED AND CONSENTED TO

Staples, Inc.

By: /s/ Nicholas Hotchkin

Title: SVP Finance, Treasurer

Staples The Office Superstore, LLC

By: /s/ Nicholas Hotchkin

Title: SVP Finance, Treasurer

Staples The Office Superstore East, Inc.

By: /s/ Nicholas Hotchkin

Title: SVP Finance, Treasurer

Staples Contract & Commercial, Inc.

By: /s/ Nicholas Hotchkin

Title: SVP Finance, Treasurer

Staples the Office Superstore, Limited Partnership

By: /s/ Nicholas Hotchkin

Title: SVP Finance, Treasurer

COMMERCIAL PAPER DEALER AGREEMENT

(4(2) PROGRAM; GUARANTEED)

among

STAPLES, INC. as Issuer

STAPLES THE OFFICE SUPERSTORE, LLC as Guarantor

STAPLES THE OFFICE SUPERSTORE EAST, INC. as Guarantor

STAPLES CONTRACT & COMMERCIAL, INC. as Guarantor

STAPLES THE OFFICE SUPERSTORE, LIMITED PARTNERSHIP as Guarantor

and

J.P. MORGAN SECURITIES INC., as Dealer

Concerning Notes to be issued pursuant to an Issuing and Paying Agency Agreement dated as of June 9, 2008 and amended as of August 6, 2008 between the Issuer and LaSalle Bank, as Issuing and Paying Agent

**Dated as of
September 19, 2008**

This Commercial Paper Agreement (4(2) Program Guaranteed) (as amended, supplemented or otherwise modified and in effect from time to time, the "Agreement") sets forth the understandings among the Issuer, the Guarantors and the Dealer, each named on the cover page hereof, in connection with the issuance and sale by the Issuer of its short-term promissory notes (the "Notes") through the Dealer.

Pursuant to a guarantee, dated the date hereof, in the form of Exhibit D hereto (the "Guarantee") each Guarantor has agreed jointly and severally to guarantee, subject to the terms of the Guarantee, payment in full of the principal of and interest (if any) on all such Notes.

Certain terms used in this Agreement are defined in Section 6 hereof.

The Addendum to this Agreement, and any Annexes or Exhibits described in this Agreement or such Addendum, are hereby incorporated into this Agreement and made fully a part hereof.

1. Offers, Sales and Resales of Notes.

- 1.1. While (i) the Issuer has and shall have no obligation to sell the Notes to the Dealer or to permit the Dealer to arrange any sale of the Notes for the account of the Issuer, and (ii) the Dealer has and shall have no obligation to purchase the Notes from the Issuer or to arrange any sale of the Notes for the account of the Issuer, the parties hereto agree that in any case where the Dealer purchases Notes from the Issuer, or arranges for the sale of Notes by the Issuer, such Notes will be purchased or sold by the Dealer in reliance on the representations, warranties, covenants and agreements of the Issuer and, unless such Guarantor shall have been released from the Guarantee in accordance with its terms, each Guarantor contained herein or made pursuant hereto and on the terms and conditions and in the manner provided herein.
- 1.2. So long as this Agreement shall remain in effect, and in addition to the limitations contained in Section 1.7 hereof, neither the Issuer nor, unless such Guarantor shall have been released from the Guarantee in accordance with its terms, any Guarantor shall, without the consent of the Dealer, offer, solicit or accept offers to purchase, or sell, any Notes except (a) in transactions with one or more dealers which may from time to time after the date hereof become dealers with respect to the Notes by executing with the Issuer and the Guarantors one or more agreements which contain provisions substantially identical to those contained in Section 1 of this Agreement, of which the Issuer and the Guarantors hereby undertakes to provide the Dealer prompt notice or (b) in transactions with the other dealers listed on the Addendum hereto, which are executing agreements with the Issuer and the Guarantors which contain provisions substantially identical to Section 1 of this Agreement contemporaneously herewith. In no event shall the Issuer or any Guarantor offer, solicit or accept offers to purchase, or sell, any Notes directly on its own behalf in transactions with persons other than broker-dealers as specifically permitted in this Section 1.2.
- 1.3. The Notes shall be in a minimum denomination of \$250,000 or integral multiples of \$1,000 in excess thereof, will bear such interest rates, if interest bearing, or will be sold at such discount from their face amounts, as shall be agreed upon by the Dealer and the Issuer, shall have a maturity not exceeding 397 days from the date of issuance and may have such terms as are specified in Exhibit C hereto or the Private Placement

Memorandum. The Notes shall not contain any provision for extension, renewal or automatic “rollover.”

- 1.4. The authentication and issuance of, and payment for, the Notes shall be effected in accordance with the Issuing and Paying Agency Agreement, and the Notes shall be either individual physical certificates or book-entry notes evidenced by one or more master notes (each, a “Master Note”) registered in the name of The Depository Trust Company (“DTC”) or its nominee, in the form or forms annexed to the Issuing and Paying Agency Agreement.
- 1.5. If the Issuer and the Dealer shall agree on the terms of the purchase of any Note by the Dealer or the sale of any Note arranged by the Dealer (including, but not limited to, agreement with respect to the date of issue, purchase price, principal amount, maturity and interest rate or interest rate index and margin (in the case of interest-bearing Notes) or discount thereof (in the case of Notes issued on a discount basis), and appropriate compensation for the Dealer’s services hereunder) pursuant to this Agreement, the Issuer shall cause such Note to be issued and delivered in accordance with the terms of the Issuing and Paying Agency Agreement and payment for such Note shall be made by the purchaser thereof, either directly or through the Dealer, to the Issuing and Paying Agent, for the account of the Issuer. Except as otherwise agreed, in the event that the Dealer is acting as an agent and a purchaser shall either fail to accept delivery of or make payment for a Note on the date fixed for settlement, the Dealer shall promptly notify the Issuer, and if the Dealer has theretofore paid the Issuer for the Note, the Issuer will promptly return such funds to the Dealer against its return of the Note to the Issuer, in the case of a certificated Note, and upon notice of such failure in the case of a book-entry Note. If such failure occurred for any reason other than default by the Dealer, the Issuer and, unless such Guarantor shall have been released from the Guarantee in accordance with its terms, each Guarantor agree, jointly and severally, to reimburse the Dealer on an equitable basis for the Dealer’s loss of the use of such funds for the period such funds were credited to the Issuer’s account.
- 1.6. All offers and sales of the Notes by the Issuer shall be effected pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof, which exempts transactions by an issuer not involving any public offering. The Dealer, the Issuer and each Guarantor hereby establish and agree to observe the following procedures in connection with offers, sales and subsequent resales or other transfers of the Notes:
 - (a) Offers and sales of the Notes by or through the Dealer shall be made only to: (i) investors reasonably believed by the Dealer to be Qualified Institutional Buyers, Institutional Accredited Investors or Sophisticated Individual Accredited Investors and (ii) non-bank fiduciaries or agents that will be purchasing Notes for one or more accounts, each of which is reasonably believed by the Dealer to be an Institutional Accredited Investor or Sophisticated Individual Accredited Investor.

- (b) Resales and other transfers of the Notes by the holders thereof shall be made only in accordance with the restrictions in the legend described in clause (e) below.
- (c) No general solicitation or general advertising shall be used in connection with the offering of the Notes. Without limiting the generality of the foregoing, without the prior written approval of the Dealer, neither the Issuer nor any Guarantor shall issue any press release or place or publish any “tombstone” or other advertisement relating to the Notes.
- (d) No sale of Notes to any one purchaser shall be for less than \$250,000 principal or face amount, and no Note shall be issued in a smaller principal or face amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom such purchaser is acting must purchase at least \$250,000 principal or face amount of Notes.
- (e) Offers and sales of the Notes by the Issuer through the Dealer acting as agent for the Issuer shall be made in accordance with Rule 506 under the Securities Act, and shall be subject to the restrictions described in the legend appearing on Exhibit A hereto. A legend substantially to the effect of such Exhibit A shall appear as part of the Private Placement Memorandum used in connection with offers and sales of Notes hereunder, as well as on each individual certificate representing a Note and each Master Note representing book-entry Notes offered and sold pursuant to this Agreement.
- (f) The Dealer shall furnish or shall have furnished to each purchaser of Notes for which it has acted as the Dealer a copy of the then-current Private Placement Memorandum unless such purchaser has previously received a copy of the Private Placement Memorandum as then in effect. The Private Placement Memorandum shall expressly state that any person to whom Notes are offered shall have an opportunity to ask questions of, and receive information from the Issuer, each Guarantor, unless such Guarantor shall have been released from the Guarantee in accordance with its terms, and the Dealer and shall provide the names, addresses and telephone numbers of the persons from whom information regarding the Issuer and the Guarantors may be obtained.
- (g) The Issuer and, unless such Guarantor shall have been released from the Guarantee in accordance with its terms, each Guarantor, jointly and severally, agree for the benefit of the Dealer and each of the holders and prospective purchasers from time to time of the Notes that, if at any time the Issuer shall not be subject to Section 13 or 15(d) of the Exchange Act, the Issuer and, unless such Guarantor shall have been released from the Guarantee in accordance with its terms, each Guarantor will furnish, upon request and at their expense, to the Dealer and to holders and prospective purchasers of Notes information required by Rule 144A(d)(4)(i) in compliance with Rule 144A(d).
- (h) In the event that any Note offered or to be offered by the Dealer would be ineligible for resale under Rule 144A, the Issuer shall immediately notify the Dealer (by telephone, confirmed in writing) of such fact and shall promptly prepare and deliver to the Dealer an amendment or supplement to the Private

Placement Memorandum describing the Notes that are ineligible, the reason for such ineligibility and any other relevant information relating thereto.

- (i) The Issuer and each Guarantor represent that neither the Issuer nor any Guarantor is currently issuing commercial paper in the United States market in reliance upon the exemption provided by Section 3(a)(3) of the Securities Act. The Issuer and each Guarantor agree that, if the Issuer or the Guarantor shall issue commercial paper after the date hereof in reliance upon such exemption (a) the proceeds from the sale of the Notes will be segregated from the proceeds of the sale of any such commercial paper by being placed in a separate account; (b) the Issuer and such Guarantor will institute appropriate corporate procedures to ensure that the offers and sales of notes issued by the Issuer or the Guarantor, as the case may be, pursuant to the Section 3(a)(3) exemption are not integrated with offerings and sales of Notes hereunder; and (c) the Issuer and such Guarantor will comply with each of the requirements of Section 3(a)(3) of the Securities Act in selling commercial paper or other short-term debt securities other than the Notes in the United States. The Dealer agrees with the Issuer and the Guarantors not to offer or sell any Notes in a manner that might call into question the availability of the private offering exemption contained in Section 4(2) of the Securities Act and Rule 144A thereunder, it being agreed that the foregoing procedures do not call into question the availability of such exemption.

1.7. Each of the Issuer as to itself and each Guarantor as to itself hereby represents and warrants to the Dealer, in connection with offers, sales and resales of Notes, as follows:

- (a) Except as permitted by Section 1.6(i) or pursuant to the Original Agreement, within the preceding six months neither the Issuer nor the Guarantors nor any person other than the Dealer or the other dealers referred to in Section 1.2 hereof acting on behalf of the Issuer or the Guarantors has offered or sold any Notes, or any substantially similar security of the Issuer or the Guarantors (including, without limitation, medium-term notes issued by the Issuer or the Guarantor), to, or solicited offers to buy any such security from, any person other than the Dealer or the other dealers referred to in Section 1.2 hereof. Except as permitted by Section 1.6(i), as long as the Notes are being offered for sale by the Dealer and the other dealers referred to in Section 1.2 hereof as contemplated hereby and until at least six months after the offer of Notes hereunder has been terminated, neither the Issuer nor the Guarantor nor any person other than the Dealer or the other dealers referred to in Section 1.2 hereof (except as contemplated by Section 1.2 hereof) will offer the Notes or any substantially similar security of the Issuer for sale to, or solicit offers to buy any such security from, any person other than the Dealer or the other dealers referred to in Section 1.2 hereof, it being understood that such agreement is made with a view to bringing the offer and sale of the Notes within the exemption provided by Section 4(2) of the Securities Act and Rule 506 thereunder and shall survive any termination of this Agreement. Neither the Issuer nor the Guarantors has taken or omitted to take, and will not take or omit to take, any action that would cause the offering and sale of Notes hereunder to be integrated with any other offering of securities, whether such offering is made by the Issuer or the Guarantors or some other party or parties, under circumstances that would cause the offering and sale of the Notes by the Issuer to fail to be exempt under Section 4(2) of the Securities Act.

- (b) The Issuer represents and agrees that the proceeds of the sale of the Notes are not currently contemplated to be used for the purpose of buying, carrying or trading securities within the meaning of Regulation T and the interpretations thereunder by the Board of Governors of the Federal Reserve System. In the event that the Issuer determines to use proceeds from the sale of the Notes for the purpose of buying, carrying or trading securities, whether in connection with an acquisition of another company or otherwise, the Issuer shall give the Dealer at least three business days' prior written notice to that effect. The Issuer shall also give the Dealer prompt notice of the actual date that it commences to purchase securities with the proceeds of the Notes. Thereafter, in the event that the Dealer purchases Notes as principal and does not resell such Notes on the day of such purchase, to the extent necessary to comply with Regulation T and the interpretations thereunder, the Dealer will sell such Notes either (i) only to offerees it reasonably believes to be Qualified Institutional Buyers or to Qualified Institutional Buyers it reasonably believes are acting for other Qualified Institutional Buyers, in each case in accordance with Rule 144A or (ii) in a manner which would not cause a violation of Regulation T and the interpretations thereunder.

2. Representations and Warranties of the Issuer and the Guarantors.

Each of the Issuer and each Guarantor represents and warrants as to itself that:

- 2.1 The Issuer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all the requisite power and authority to execute, deliver and perform its obligations under the Notes, this Agreement and the Issuing and Paying Agency Agreement.
- 2.2 Each Guarantor is a corporation, limited liability company or limited partnership, as applicable, duly organized and validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation and has all the requisite power and authority to execute, deliver and perform its obligations under the Guarantee, this Agreement and the Issuing and Paying Agency Agreement.
- 2.3 This Agreement and the Issuing and Paying Agency Agreement have been duly authorized, executed and delivered by the Issuer and each Guarantor and constitute legal, valid and binding obligations of the Issuer and each Guarantor enforceable against the Issuer and each Guarantor in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).
- 2.4 The Notes have been duly authorized, and when issued as provided in the Issuing and Paying Agency Agreement, will be duly and validly issued and will constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).
- 2.5 The Guarantee has been duly authorized, and when the Notes have been issued as provided in the Issuing and Paying Agency Agreement, will be duly executed and delivered by each

Guarantor and constitute the legal, valid and binding obligation of each Guarantor enforceable against each Guarantor in accordance with its terms subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

- 2.6 Assuming compliance by the Dealer with the procedures applicable to it set forth in Section 1 hereof, the offer and sale of the Notes and the Guarantee in the manner contemplated hereby do not require registration of the Notes or the Guarantee under the Securities Act, pursuant to the exemption from registration contained in Section 4(2) thereof, and no indenture in respect of the Notes or the Guarantee is required to be qualified under the Trust Indenture Act of 1939, as amended.
- 2.7 The Notes and the Guarantee will rank at least pari passu with all other unsecured and unsubordinated indebtedness of the Issuer and the Guarantors, respectively.
- 2.8 Assuming compliance by the Dealer with the procedures applicable to it set forth in Section 1 hereof, no consent or action of, or filing or registration with, any governmental or public regulatory body or authority, including the SEC, is required to authorize, or is otherwise required in connection with the execution, delivery or performance of, this Agreement, the Notes, the Guarantee or the Issuing and Paying Agency Agreement, except as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Notes.
- 2.9 Neither the execution and delivery of this Agreement, the Guarantee and the Issuing and Paying Agency Agreement, nor the issuance of the Notes in accordance with the Issuing and Paying Agency Agreement, nor the fulfillment of or compliance with the terms and provisions hereof or thereof by the Issuer or any Guarantor, will (i) result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Issuer or any Guarantor, or (ii) violate or result in a breach or a default under any of the terms of the charter documents or by-laws of the Issuer or any Guarantor, any contract or instrument to which the Issuer or any Guarantor is a party or by which it or its property is bound, or any law or regulation, or any order, writ, injunction or decree of any court or government instrumentality, to which the Issuer or any Guarantor is subject or by which it or its property is bound, which breach or default might have a material adverse effect on the financial condition or operations of the Issuer and its subsidiaries taken as a whole or the ability of the Issuer or any Guarantor to perform its obligations under this Agreement, the Notes, the Guarantee or the Issuing and Paying Agency Agreement.
- 2.10 Except as disclosed in the Company Information, there is no litigation or governmental proceeding pending, or to the knowledge of the Issuer or any Guarantor threatened, against or affecting the Issuer or any Guarantor or any of its subsidiaries which might reasonably be expected to result in a material adverse change in the financial condition or operations of the Issuer and its subsidiaries taken as a whole or the ability of the Issuer or any Guarantor to perform its obligations under this Agreement, the Notes, the Guarantee or the Issuing and Paying Agency Agreement.

- 2.11 Neither the Issuer nor any Guarantor is an “investment company” within the meaning of the Investment Company Act of 1940, as amended.
- 2.12 Neither the Private Placement Memorandum nor the Company Information contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
- 2.13 Each (a) issuance of Notes by the Issuer hereunder and (b) amendment or supplement of the Private Placement Memorandum shall be deemed a representation and warranty by the Issuer and, unless such Guarantor shall have been released from the Guarantee in accordance with its terms, each Guarantor to the Dealer, as of the date thereof, that, both before and after giving effect to such issuance and after giving effect to such amendment or supplement, (i) the representations and warranties given by the Issuer and the Guarantor set forth in this Section 2 remain true and correct in all material respects on and as of such date as if made on and as of such date, (ii) in the case of an issuance of Notes, the Notes being issued on such date have been duly and validly issued and constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors’ rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and, unless the Guarantors shall have been released from the Guarantee in accordance with its terms, are guaranteed pursuant to the Guarantee, (iii) in the case of an issuance of Notes, since the date of the most recent Private Placement Memorandum, there has been no material adverse change in the financial condition or operations of the Issuer and its subsidiaries taken as a whole which has not been disclosed to the Dealer in writing and (iv) neither the Issuer nor any Guarantor is in default of any of its obligations hereunder or under the Notes, the Guarantee or the Issuing and Paying Agency Agreement.

3. Covenants and Agreements of the Issuer and the Guarantors.

Each of the Issuer and each of the Guarantors, until and unless such Guarantor shall have been released from the Guarantee in accordance with its terms, covenants and agrees as to itself that:

- 3.1 It will give the Dealer prompt notice (but in any event prior to any subsequent issuance of Notes hereunder) of any amendment to, modification of or waiver with respect to, the Notes, the Guarantee or the Issuing and Paying Agency Agreement, including a complete copy of any such amendment, modification or waiver.
- 3.2 If any change shall occur in the financial condition or operations of the Issuer and its subsidiaries taken as a whole or any development or occurrence in relation to the Issuer or the Guarantors that would have a material adverse effect on holders of the Notes or potential holders of the Notes (including any downgrading of, receipt of any notice of intended downgrading of or receipt of any written notice of a potential change in, the rating accorded any of the securities of the Issuer or the Guarantors by any nationally recognized statistical rating organization which has published a rating of the Notes), promptly, and in any event prior to any subsequent issuance of Notes hereunder, notify the Dealer (by telephone, confirmed in writing) of such change, development or occurrence.

- 3.3 It shall from time to time furnish to the Dealer such information as the Dealer may reasonably request, including, without limitation, any press releases or material provided by the Issuer or the Guarantors to any national securities exchange or rating agency, regarding (i) the operations and financial condition of the Issuer or the Guarantors, (ii) the due authorization and execution of the Notes and the Guarantee, (iii) the Issuer's ability to pay the Notes as they mature and (iv) any Guarantor's ability to fulfill its obligations under the Guarantee.
- 3.4 It will take all such action as the Dealer may reasonably request to ensure that each offer and each sale of the Notes will comply with any applicable state Blue Sky laws; provided, however, that neither the Issuer nor any Guarantor shall be obligated to file any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.
- 3.5 It will not be in default of any of its obligations hereunder or under the Notes, the Guarantee or the Issuing and Paying Agency Agreement, at any time that any of the Notes are outstanding.
- 3.6 The Issuer shall not issue Notes hereunder until the Dealer shall have received (a) opinions of counsel to the Issuer and the Guarantors, addressed to the Dealer, satisfactory in form and substance to the Dealer, (b) a copy of the executed Issuing and Paying Agency Agreement as then in effect, (c) a copy of the executed Guarantee, (d) a copy of the resolutions adopted by the Boards of Directors of the Issuer and each of the Guarantors, satisfactory in form and substance to the Dealer and certified by the Secretary or similar officer of the Issuer or the Guarantor, as the case may be, authorizing execution and delivery by the Issuer and the Guarantors of this Agreement, the Issuing and Paying Agency Agreement, the Guarantee and the Notes and consummation by the Issuer and the Guarantors of the transactions contemplated hereby and thereby, (e) prior to the issuance of any book-entry Notes represented by a master note registered in the name of DTC or its nominee, a copy of the executed Letter of Representations among the Issuer, the Guarantors, the Issuing and Paying Agent and DTC and of the executed master note, (f) prior to the issuance of any Notes in physical form, a copy of such form (unless attached to this Agreement or the Issuing and Paying Agency Agreement), (g) confirmation of the then current rating assigned to the Notes by each nationally recognized statistical rating organization then rating the Notes, and (h) such other certificates, opinions, letters and documents as the Dealer shall have reasonably requested.
- 3.7 The Issuer and each Guarantor, jointly and severally, agree to reimburse the Dealer for all of the Dealer's out-of-pocket expenses related to this Agreement, including expenses incurred in connection with its preparation and negotiation, and the transactions contemplated hereby (including, but not limited to, the printing and distribution of the Private Placement Memorandum), and, if applicable, for the reasonable fees and out-of-pocket expenses of the Dealer's counsel.

4. Disclosure.

- 4.1 The Private Placement Memorandum and its contents (other than the Dealer Information) shall be the sole responsibility of the Issuer and, unless such Guarantor shall have been released from the Guarantee in accordance with its terms, the Guarantors. The Private Placement Memorandum shall contain a statement expressly offering an opportunity for each prospective purchaser to ask questions of, and receive answers from, the Issuer and, unless such Guarantor

shall have been released from the Guarantee in accordance with its terms, any Guarantor concerning the offering of Notes and to obtain relevant additional information which the Issuer possesses or can acquire without unreasonable effort or expense.

- 4.2 Each of the Issuer and, unless such Guarantor shall have been released from the Guarantee in accordance with its terms, each Guarantor agrees to promptly furnish the Dealer the Company Information as it becomes available.
- 4.3 (a) Each of the Issuer and, unless such Guarantor shall have been released from the Guarantee in accordance with its terms, each Guarantor further agrees to notify the Dealer promptly upon (x) the occurrence of any event relating to or affecting the Issuer or such Guarantor that would cause the Company Information then in existence to include an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading or (y) the release of any Guarantor from the Guarantee in accordance with its terms. Notwithstanding the foregoing, neither the Issuer nor any Guarantor shall have any obligation to so notify the Dealer if (i) the Issuer has temporarily suspended offers and sales of the Notes and has given the Dealer written notice of such suspension, or (ii) there are no Notes outstanding. In the event that the Issuer wishes to resume offers and sales of the Notes, it shall (i) give the Dealer notice thereof, and (ii) either (x) confirm that the then current Private Placement Memorandum and Company Information do not violate the representation contained in Section 2.13 of this Agreement, or (y) if the representation contained in Section 2.13 cannot be made, provide to the Dealer an updated Private Placement Memorandum that will permit the representation to be made. The Dealer agrees that, upon such notification, all solicitations and sales of Notes shall be suspended.
- (b) In the event that the Issuer gives the Dealer notice pursuant to Section 4.3(a) and the Dealer notifies the Issuer that it then has Notes it is holding in inventory, the Issuer agrees promptly to supplement or amend the Private Placement Memorandum so that the Private Placement Memorandum, as amended or supplemented, shall not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and the Issuer shall make such supplement or amendment available to the Dealer or (ii) if the Issuer chooses not to promptly amend or supplement the Private Placement Memorandum, the Issuer shall, if required by the Dealer, purchase from the Dealer any such Notes held in inventory at a price equal to the face amount thereof discounted on a ratable basis based on the Issuer's market rate reflecting the remaining period until maturity in relation to the original term, provided that no commissions or fees will be paid to such Dealer in connection with any such repurchase pursuant to this Section 4.3(b)(ii).
- (c) In the event that (i) the Issuer or any Guarantor gives the Dealer notice pursuant to Section 4.3(a), (ii) the Dealer does not notify the Issuer or the Guarantors that it is then holding Notes in inventory and (iii) the Issuer chooses not to promptly amend or supplement the Private Placement Memorandum in the manner described in clause (b) above, then all solicitations and sales of Notes shall be suspended until such time as the Issuer has so amended or supplemented the Private Placement Memorandum, and made such amendment or supplement available to the Dealer.

- (d) Without limiting the generality of Section 4.3(a), the Issuer shall review, amend and supplement the Private Placement Memorandum on a periodic basis, but no less than at least once annually, to incorporate current financial information regarding the Issuer and the Guarantors to the extent necessary to ensure that the information provided in the Private Placement Memorandum is accurate and complete, it being acknowledged that the condensed consolidating financial information regarding the Guarantors contained in the Notes to the Issuer's consolidated financial statements shall be deemed current financial information regarding the Guarantors.

5. Indemnification and Contribution.

- 5.1 The Issuer and, unless such Guarantor shall have been released from the Guarantee in accordance with its terms, each Guarantor, jointly and severally, will indemnify and hold harmless the Dealer, each individual, corporation, partnership, trust, association or other entity controlling the Dealer, any affiliate of the Dealer or any such controlling entity and their respective directors, officers, employees, partners, incorporators, shareholders, servants, trustees and agents (hereinafter the "Indemnitees") against any and all liabilities, penalties, suits, causes of action, losses, damages, claims, costs and expenses (including, without limitation, fees and disbursements of counsel) or judgments of whatever kind or nature (each a "Claim"), imposed upon, incurred by or asserted against the Indemnitees arising out of or based upon (i) any allegation that the Private Placement Memorandum, the Company Information or any information provided by the Issuer or the Guarantors to the Dealer included (as of any relevant time) or includes an untrue statement of a material fact or omitted (as of any relevant time) or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (ii) arising out of or based upon the breach by the Issuer or the Guarantors of any agreement, covenant or representation made in or pursuant to this Agreement. This indemnification shall not apply to the extent that the Claim arises out of or is based upon Dealer Information or that the Claim is determined by a court of competent jurisdiction to have resulted from an Indemnitee's gross negligence or willful misconduct.
- 5.2 Provisions relating to claims made for indemnification under this Section 5 are set forth on Exhibit B to this Agreement.
- 5.3 In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 5 is held to be unavailable or insufficient to hold harmless the Indemnitees, although applicable in accordance with the terms of this Section 5, the Issuer and, unless such Guarantor shall have been released from the Guarantee in accordance with its terms, each Guarantor, jointly and severally, shall contribute to the aggregate costs incurred by the Dealer in connection with any Claim in the proportion of the respective economic interests of the Issuer, the Guarantors and the Dealer; provided, however, that such contribution by the Issuer and the Guarantors shall be in an amount such that the aggregate costs incurred by the Dealer do not exceed the aggregate of the commissions and fees earned by the Dealer hereunder with respect to the issue or issues of Notes to which such Claim relates. The respective economic interests shall be calculated by reference to the aggregate proceeds to the Issuer of the Notes issued hereunder and the aggregate commissions and fees earned by the Dealer hereunder.

6. Definitions.

- 6.1 “Claim” shall have the meaning set forth in Section 5.1.
- 6.2 “Company Information” at any given time shall mean the Private Placement Memorandum (other than the Dealer Information) together with, to the extent applicable, (i) the Issuer’s most recent report on Form 10-K filed with the SEC and each report on Form 10-Q or 8-K filed by the Issuer with the SEC since the most recent Form 10-K, (ii) the Issuer’s most recent annual audited financial statements and each interim financial statement or report prepared subsequent thereto, if not included in item (i) above, (iii) the Issuer’s other publicly available recent reports, including, but not limited to, any publicly available filings or reports provided to their respective shareholders, (iv) any other information or disclosure prepared pursuant to Section 4.3 hereof and (v) any information prepared or approved by the Issuer or the Guarantors for dissemination to investors or potential investors in the Notes.
- 6.3 “Dealer Information” shall mean material concerning the Dealer provided by the Dealer in writing expressly for inclusion in the Private Placement Memorandum.
- 6.4 “Exchange Act” shall mean the U.S. Securities Exchange Act of 1934, as amended.
- 6.5 “Indemnitee” shall have the meaning set forth in Section 5.1.
- 6.6 “Institutional Accredited Investor” shall mean an institutional investor that is an accredited investor within the meaning of Rule 501 under the Securities Act and that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the economic risk of an investment in the Notes, including, but not limited to, a bank, as defined in Section 3(a)(2) of the Securities Act, or a savings and loan association or other institution, as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity.
- 6.7 “Issuing and Paying Agency Agreement” shall mean the issuing and paying agency agreement described on the cover page of this Agreement, as such agreement may be amended or supplemented from time to time.
- 6.8 “Issuing and Paying Agent” shall mean the party designated as such on the cover page of this Agreement, as issuing and paying agent under the Issuing and Paying Agency Agreement, or any successor thereto in accordance with the Issuing and Paying Agency Agreement.
- 6.9 “Non-bank fiduciary or agent” shall mean a fiduciary or agent other than (a) a bank, as defined in Section 3(a)(2) of the Securities Act, or (b) a savings and loan association, as defined in Section 3(a)(5)(A) of the Securities Act.
- 6.10 “Private Placement Memorandum” shall mean offering materials prepared in accordance with Section 4 (including materials referred to therein or incorporated by reference therein, if any) provided to purchasers and prospective purchasers of the Notes, and shall include amendments and supplements thereto which may be prepared from time to time in accordance with this Agreement (other than any amendment or supplement that has been completely superseded by a later amendment or supplement).
- 6.11 “Qualified Institutional Buyer” shall have the meaning assigned to that term in Rule 144A under the Securities Act.

- 6.12 “Rule 144A” shall mean Rule 144A under the Securities Act.
- 6.13 “SEC” shall mean the U.S. Securities and Exchange Commission.
- 6.14 “Securities Act” shall mean the U.S. Securities Act of 1933, as amended.
- 6.15 “Sophisticated Individual Accredited Investor” shall mean an individual who (a) is an accredited investor within the meaning of Regulation D under the Securities Act and (b) based on his or her pre-existing relationship with the Dealer, is reasonably believed by the Dealer to be a sophisticated investor (i) possessing such knowledge and experience (or represented by a fiduciary or agent possessing such knowledge and experience) in financial and business matters that he or she is capable of evaluating and bearing the economic risk of an investment in the Notes and (ii) having not less than \$5 million in investments (as defined, for purposes of this section, in Rule 2a51-1 under the Investment Company Act of 1940, as amended).

7. General

- 7.1 Unless otherwise expressly provided herein, all notices under this Agreement to parties hereto shall be in writing and shall be effective when received at the address of the respective party set forth in the Addendum to this Agreement.
- 7.2 This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its conflict of laws provisions.
- 7.3 (a) Each of the Issuer and each Guarantor agrees that any suit, action or proceeding brought by the Issuer or any Guarantor against the Dealer in connection with or arising out of this Agreement or the Notes or the offer and sale of the Notes shall be brought solely in the United States federal courts located in the Borough of Manhattan or the courts of the State of New York located in the Borough of Manhattan. THE DEALER, THE ISSUER AND EACH GUARANTOR WAIVES ITS RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.
- (b) Each of the Issuer and each Guarantor hereby irrevocably accepts and submits to the non-exclusive jurisdiction of each of the aforesaid courts in personam, generally and unconditionally, for itself and in respect of its properties, assets and revenues, with respect to any suit, action or proceeding in connection with or arising out of this Agreement, the Guarantee or the Notes or the offer and sale of the Notes.
- 7.4 This Agreement may be terminated, at any time, by the Issuer, upon one business day’s prior notice to such effect to the Dealer, or by the Dealer upon one business day’s prior notice to such effect to the Issuer. Any such termination, however, shall not affect the obligations of the Issuer and, subject to terms of the Guarantee, the Guarantors under Sections 3.7, 4.3(a) and (b), 5 and 7.3 hereof or the respective representations, warranties, agreements, covenants, rights or responsibilities of the parties made or arising prior to the termination of this Agreement.
- 7.5 This Agreement is not assignable by any party hereto without the written consent of the other parties; provided, however, that the Dealer may assign its rights and obligations under this Agreement to any affiliate of the Dealer.

- 7.6 This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.
- 7.7 This Agreement is for the exclusive benefit of the parties hereto, and their respective permitted successors and assigns hereunder, and shall not be deemed to give any legal or equitable right, remedy or claim to any other person whatsoever.
- 7.8 The Issuer and each Guarantor acknowledges and agrees that in connection with this purchase and sale of the Notes or any other services the Dealer may be deemed to be providing hereunder, notwithstanding any preexisting relationship, advisory or otherwise, between the parties or any oral representations or assurances previously or subsequently made by the Dealer: (i) no fiduciary or agency relationship between the Issuer, the Guarantors and any other person, on the one hand, and the Dealer, on the other, exists; (ii) the Dealer is not acting as advisor, expert or otherwise, to either the Issuer or any Guarantor, including, without limitation, with respect to the determination of the offering price of the Notes, and such relationship between the Issuer and the Guarantors, on the one hand, and the Dealer, on the other, is entirely and solely commercial, based on arms-length negotiations; (iii) any duties and obligations that the Dealer may have to the Issuer or the Guarantors shall be limited to those duties and obligations specifically stated herein; and (iv) the Dealer and their respective affiliates may have interests that differ from those of the Issuer or the Guarantors. Each of the Issuer and each Guarantor hereby waives any claims that the Issuer or such Guarantor may have against the Dealer with respect to any breach of fiduciary duty in connection with the purchase and sale of the Notes.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

Staples, Inc., as Issuer

By: /s/ Ronald L. Sargent

Name: Ronald L. Sargent

Title: Chairman and Chief Executive Officer

Staples, Inc., as Issuer

By: /s/ John J. Mahoney

Name: John J. Mahoney

Title: Vice Chairman and Chief Financial Officer

Staples the Office Superstore, LLC, as Guarantor

By: /s/ Nicholas Hotchkin

Name: _____

Title: _____

Staples the Office Superstore East, Inc., as Guarantor

By: /s/ Nicholas Hotchkin

Name: _____

Title: _____

Staples Contract & Commercial, Inc., as Guarantor

By: /s/ Nicholas Hotchkin

Name: _____

Title: _____

Staples the Office Superstore, Limited Partnership, as Guarantor
By its General Partner, Staples, Inc.

By: /s/ Nicholas Hotchkin

Name: _____

Title: _____

J.P. Morgan Securities Inc., as Dealer

By: Johanna C. Foley

Name: Johanna C. Foley

Title: Executive Director

Addendum

The following additional clauses shall apply to the Agreement and be deemed a part thereof.

The addresses of the respective parties for purposes of notices under Section 7.1 are as follows:

For the Issuer:

Address: 500 Staples Drive, Framingham, MA 01702
Attention: MarciJo Lerner
Telephone number: (508) 253-7775
Fax number: (508) 253-5440

For the Guarantor: Staples the Office Superstore, LLC

Address: 500 Staples Drive, Framingham, MA 01702
Attention: MarciJo Lerner
Telephone number: (508) 253-7775
Fax number: (508) 253-5440

For the Guarantor: Staples the Office Superstore East, Inc.

Address: 500 Staples Drive, Framingham, MA 01702
Attention: MarciJo Lerner
Telephone number: (508) 253-7775
Fax number: (508) 253-5440

For the Guarantor: Staples Contract & Commercial, Inc.

Address: 500 Staples Drive, Framingham, MA 01702
Attention: MarciJo Lerner
Telephone number: (508) 253-7775
Fax number: (508) 253-5440

For the Guarantor: Staples the Office Superstore, Limited Partnership

Address: 500 Staples Drive, Framingham, MA 01702
Attention: MarciJo Lerner
Telephone number: (508) 253-7775
Fax number: (508) 253-5440

For the Dealer:

Address: 270 Park Avenue - 8th Floor, New York, NY 10017
Attention: Short Term Fixed Income Division
Telephone number: (212) 834-5543
Fax number: (212) 834-6172

Exhibit A

Form of Legend for Private Placement Memorandum and Notes

THE NOTES AND THE GUARANTEE THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE SECURITIES LAW, AND OFFERS AND SALES THEREOF MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT (I) IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER, THE GUARANTORS, THE NOTES AND THE GUARANTEE, (II) IT IS NOT ACQUIRING SUCH NOTE WITH A VIEW TO ANY DISTRIBUTION THEREOF, (III) IT IS EITHER (A)(1) AN INSTITUTIONAL INVESTOR OR SOPHISTICATED INDIVIDUAL INVESTOR THAT IS AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a) UNDER THE ACT AND WHICH, IN THE CASE OF AN INDIVIDUAL (i) POSSESSES SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT HE OR SHE IS CAPABLE OF EVALUATING AND BEARING THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES AND (ii) HAS NOT LESS THAN \$5 MILLION IN INVESTMENTS (AN "INSTITUTIONAL ACCREDITED INVESTOR" OR "SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR", RESPECTIVELY) AND (2)(i) PURCHASING NOTES FOR ITS OWN ACCOUNT, (ii) A BANK (AS DEFINED IN SECTION 3(a)(2) OF THE ACT) OR A SAVINGS AND LOAN ASSOCIATION OR OTHER INSTITUTION (AS DEFINED IN SECTION 3(a)(5)(A) OF THE ACT) ACTING IN ITS INDIVIDUAL OR FIDUCIARY CAPACITY OR (iii) A FIDUCIARY OR AGENT (OTHER THAN A U.S. BANK OR SAVINGS AND LOAN ASSOCIATION) PURCHASING NOTES FOR ONE OR MORE ACCOUNTS EACH OF WHICH ACCOUNTS IS SUCH AN INSTITUTIONAL ACCREDITED INVESTOR OR SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR; OR (B) A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE ACT THAT IS ACQUIRING NOTES FOR ITS OWN ACCOUNT OR FOR ONE OR MORE ACCOUNTS, EACH OF WHICH ACCOUNTS IS A QIB; AND THE PURCHASER ACKNOWLEDGES THAT IT IS AWARE THAT THE SELLER MAY RELY UPON THE EXEMPTION FROM THE REGISTRATION PROVISIONS OF SECTION 5 OF THE ACT PROVIDED BY RULE 144A. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER THEREOF SHALL ALSO BE DEEMED TO AGREE THAT ANY RESALE OR OTHER TRANSFER THEREOF WILL BE MADE ONLY (A) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE ACT, EITHER (1) TO THE ISSUER OR TO A PLACEMENT AGENT DESIGNATED BY THE ISSUER AS A PLACEMENT AGENT FOR THE NOTES (COLLECTIVELY, THE "PLACEMENT AGENTS"), NONE OF WHICH SHALL HAVE ANY OBLIGATION TO ACQUIRE SUCH NOTE, (2) THROUGH A PLACEMENT AGENT TO AN INSTITUTIONAL ACCREDITED INVESTOR, SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR OR A QIB, OR (3) TO A QIB IN A TRANSACTION THAT MEETS THE REQUIREMENTS OF RULE 144A AND (B) IN MINIMUM AMOUNTS OF \$250,000.

Exhibit B

Further Provisions Relating to Indemnification

- (a) The Issuer and, unless such Guarantor shall have been released from the Guarantee in accordance with its terms, each Guarantor, jointly and severally, agrees to reimburse each Indemnitee for all expenses (including reasonable fees and disbursements of internal and external counsel) as they are incurred by it in connection with investigating or defending any loss, claim, damage, liability or action in respect of which indemnification may be sought under Section 5 of the Agreement (whether or not it is a party to any such proceedings).
- (b) Promptly after receipt by an Indemnitee of notice of the existence of a Claim, such Indemnitee will, if a claim in respect thereof is to be made against the Issuer or any Guarantor, notify the Issuer and the Guarantor in writing of the existence thereof; provided that (i) the omission to so notify the Issuer or any Guarantor will not relieve it from any liability which it may have hereunder unless and except to the extent it did not otherwise learn of such Claim and such failure results in the forfeiture by it of substantial rights and defenses, and (ii) the omission to so notify the Issuer or the Guarantors will not relieve it from liability which it may have to an Indemnitee otherwise than on account of this indemnity agreement. In case any such Claim is made against any Indemnitee and it notifies the Issuer or any Guarantor of the existence thereof, the Issuer and the Guarantors will be entitled to participate therein, and to the extent that it may elect by written notice delivered to the Indemnitee, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnitee; provided that if the defendants in any such Claim include both the Indemnitee and either the Issuer or the Guarantors or both, and the Indemnitee shall have concluded that there may be legal defenses available to it which are different from or additional to those available to the Issuer or the Guarantors, the Issuer shall not have the right to direct the defense of such Claim on behalf of such Indemnitee, and the Indemnitee shall have the right to select separate counsel to assert such legal defenses on behalf of such Indemnitee. Upon receipt of notice from the Issuer to such Indemnitee of the election of the Issuer and the Guarantors to assume the defense of such Claim and approval by the Indemnitee of counsel, the Issuer and the Guarantors will not be liable to such Indemnitee for expenses incurred thereafter by the Indemnitee in connection with the defense thereof (other than reasonable costs of investigation) unless (i) the Indemnitee shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that neither the Issuer nor any Guarantor shall be liable for the expenses of more than one separate counsel (in addition to any local counsel in the jurisdiction in which any Claim is brought), approved by the Dealer, representing the Indemnitee who is party to such Claim), (ii) the Issuer and the Guarantors shall not have employed counsel reasonably satisfactory to the Indemnitee to represent the Indemnitee within a reasonable time after notice of existence of the Claim or (iii) the Issuer or the Guarantors has authorized in writing the employment of counsel for the Indemnitee. The indemnity, reimbursement and contribution obligations of the Issuer and the Guarantors hereunder shall be in addition to any other liability the Issuer or the Guarantors may otherwise have to an Indemnitee and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Issuer, the Guarantors and any Indemnitee. Each of the Issuer and each Guarantor agrees that without the Dealer's prior written consent, it will not settle, compromise or consent to the entry of any judgment in any Claim in respect of which indemnification may be sought under the indemnification provision of the Agreement (whether or not the Dealer or any other Indemnitee is an actual or potential party to such Claim), unless such settlement,

compromise or consent (i) includes an unconditional release of each Indemnitee from all liability arising out of such Claim and (ii) does not include a statement as to or an admission of fault, culpability or failure to act, by or on behalf of any Indemnitee.

Exhibit C

Statement of Terms for Interest – Bearing Commercial Paper Notes of Staples, Inc.

THE PROVISIONS SET FORTH BELOW ARE QUALIFIED TO THE EXTENT APPLICABLE BY THE TRANSACTION SPECIFIC PRIVATE PLACEMENT MEMORANDUM SUPPLEMENT (THE “SUPPLEMENT”) (IF ANY) SENT TO EACH PURCHASER AT THE TIME OF THE TRANSACTION.

1. General. (a) The obligations of the Issuer to which these terms apply (each a “Note”) are represented by one or more Master Notes (each, a “Master Note”) issued in the name of (or of a nominee for) The Depository Trust Company (“DTC”), which Master Note includes the terms and provisions for the Issuer’s Interest-Bearing Commercial Paper Notes that are set forth in this Statement of Terms, since this Statement of Terms constitutes an integral part of the Underlying Records as defined and referred to in the Master Note.

(b) “Business Day” means any day other than a Saturday or Sunday that is neither a legal holiday nor a day on which banking institutions are authorized or required by law, executive order or regulation to be closed in New York City and, with respect to LIBOR Notes (as defined below) is also a London Business Day. “London Business Day” means a day, other than a Saturday or Sunday, on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

2. Interest. (a) Each Note will bear interest at a fixed rate (a “Fixed Rate Note”) or at a floating rate (a “Floating Rate Note”).

(b) The Supplement sent to each holder of such Note will describe the following terms: (i) whether such Note is a Fixed Rate Note or a Floating Rate Note and whether such Note is an Original Issue Discount Note (as defined below); (ii) the date on which such Note will be issued (the “Issue Date”); (iii) the Stated Maturity Date (as defined below); (iv) if such Note is a Fixed Rate Note, the rate per annum at which such Note will bear interest, if any, and the Interest Payment Dates; (v) if such Note is a Floating Rate Note, the Base Rate, the Index Maturity, the Interest Reset Dates, the Interest Payment Dates and the Spread and/or Spread Multiplier, if any (all as defined below), and any other terms relating to the particular method of calculating the interest rate for such Note; and (vi) any other terms applicable specifically to such Note. “Original Issue Discount Note” means a Note which has a stated redemption price at the Stated Maturity Date that exceeds its Issue Price by more than a specified *de minimis* amount and which the Supplement indicates will be an “Original Issue Discount Note”.

(c) Each Fixed Rate Note will bear interest from its Issue Date at the rate per annum specified in the Supplement until the principal amount thereof is paid or made available for payment. Interest on each Fixed Rate Note will be payable on the dates specified in the Supplement (each an “Interest Payment Date” for a Fixed Rate Note) and on the Maturity Date (as defined below). Interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months.

If any Interest Payment Date or the Maturity Date of a Fixed Rate Note falls on a day that is not a Business Day, the required payment of principal, premium, if any, and/or interest will be payable on the next succeeding Business Day, and no additional interest will accrue in respect of the payment made on that next succeeding Business Day.

(d) The interest rate on each Floating Rate Note for each Interest Reset Period (as defined below) will be determined by reference to an interest rate basis (a "Base Rate") plus or minus a number of basis points (one basis point equals one-hundredth of a percentage point) (the "Spread"), if any, and/or multiplied by a certain percentage (the "Spread Multiplier"), if any, until the principal thereof is paid or made available for payment. The Supplement will designate which of the following Base Rates is applicable to the related Floating Rate Note: (a) the CD Rate (a "CD Rate Note"), (b) the Commercial Paper Rate (a "Commercial Paper Rate Note"), (c) the Federal Funds Rate (a "Federal Funds Rate Note"), (d) LIBOR (a "LIBOR Note"), (e) the Prime Rate (a "Prime Rate Note"), (f) the Treasury Rate (a "Treasury Rate Note") or (g) such other Base Rate as may be specified in such Supplement.

The rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly or semi-annually (the "Interest Reset Period"). The date or dates on which interest will be reset (each an "Interest Reset Date") will be, unless otherwise specified in the Supplement, in the case of Floating Rate Notes which reset daily, each Business Day, in the case of Floating Rate Notes (other than Treasury Rate Notes) that reset weekly, the Wednesday of each week; in the case of Treasury Rate Notes that reset weekly, the Tuesday of each week; in the case of Floating Rate Notes that reset monthly, the third Wednesday of each month; in the case of Floating Rate Notes that reset quarterly, the third Wednesday of March, June, September and December; and in the case of Floating Rate Notes that reset semiannually, the third Wednesday of the two months specified in the Supplement. If any Interest Reset Date for any Floating Rate Note is not a Business Day, such Interest Reset Date will be postponed to the next day that is a Business Day, except that in the case of a LIBOR Note, if such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. Interest on each Floating Rate Note will be payable monthly, quarterly or semiannually (the "Interest Payment Period") and on the Maturity Date. Unless otherwise specified in the Supplement, and except as provided below, the date or dates on which interest will be payable (each an "Interest Payment Date" for a Floating Rate Note) will be, in the case of Floating Rate Notes with a monthly Interest Payment Period, on the third Wednesday of each month; in the case of Floating Rate Notes with a quarterly Interest Payment Period, on the third Wednesday of March, June, September and December; and in the case of Floating Rate Notes with a semiannual Interest Payment Period, on the third Wednesday of the two months specified in the Supplement. In addition, the Maturity Date will also be an Interest Payment Date.

If any Interest Payment Date for any Floating Rate Note (other than an Interest Payment Date occurring on the Maturity Date) would otherwise be a day that is not a Business Day, such Interest Payment Date shall be postponed to the next day that is a Business Day, except that in the case of a LIBOR Note, if such Business Day is in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding Business Day. If the Maturity Date of a Floating Rate Note falls on a day that is not a Business Day, the payment of principal and interest will be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after such maturity.

Interest payments on each Interest Payment Date for Floating Rate Notes will include accrued interest from and including the Issue Date or from and including the last date in respect of which interest has been paid, as the case may be, to, but excluding, such Interest Payment Date. On the Maturity Date, the interest payable on a Floating Rate Note will include interest accrued to, but excluding, the Maturity Date. Accrued interest will be calculated by multiplying the principal amount of a Floating

Rate Note by an accrued interest factor. This accrued interest factor will be computed by adding the interest factors calculated for each day in the period for which accrued interest is being calculated. The interest factor (expressed as a decimal) for each such day will be computed by dividing the interest rate applicable to such day by 360, in the cases where the Base Rate is the CD Rate, Commercial Paper Rate, Federal Funds Rate, LIBOR or Prime Rate, or by the actual number of days in the year, in the case where the Base Rate is the Treasury Rate. The interest rate in effect on each day will be (i) if such day is an Interest Reset Date, the interest rate with respect to the Interest Determination Date (as defined below) pertaining to such Interest Reset Date, or (ii) if such day is not an Interest Reset Date, the interest rate with respect to the Interest Determination Date pertaining to the next preceding Interest Reset Date, subject in either case to any adjustment by a Spread and/or a Spread Multiplier.

The “Interest Determination Date” where the Base Rate is the CD Rate or the Commercial Paper Rate will be the second Business Day next preceding an Interest Reset Date. The Interest Determination Date where the Base Rate is the Federal Funds Rate or the Prime Rate will be the Business Day next preceding an Interest Reset Date. The Interest Determination Date where the Base Rate is LIBOR will be the second London Business Day next preceding an Interest Reset Date. The Interest Determination Date where the Base Rate is the Treasury Rate will be the day of the week in which such Interest Reset Date falls when Treasury Bills are normally auctioned. Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is held on the following Tuesday or the preceding Friday. If an auction is so held on the preceding Friday, such Friday will be the Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week.

The “Index Maturity” is the period to maturity of the instrument or obligation from which the applicable Base Rate is calculated.

The “Calculation Date,” where applicable, shall be the earlier of (i) the tenth calendar day following the applicable Interest Determination Date or (ii) the Business Day preceding the applicable Interest Payment Date or Maturity Date.

All times referred to herein reflect New York City time, unless otherwise specified.

The Issuer shall specify in writing to the Issuing and Paying Agent which party will be the calculation agent (the “Calculation Agent”) with respect to the Floating Rate Notes. The Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate which will become effective on the next Interest Reset Date with respect to such Floating Rate Note to the Issuing and Paying Agent as soon as the interest rate with respect to such Floating Rate Note has been determined and as soon as practicable after any change in such interest rate.

All percentages resulting from any calculation on Floating Rate Notes will be rounded to the nearest one hundred-thousandth of a percentage point, with five-one millionths of a percentage point rounded upwards. For example, 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655). All dollar amounts used in or resulting from any calculation on Floating Rate Notes will be rounded, in the case of U.S. dollars, to the nearest cent or, in the case of a foreign currency, to the nearest unit (with one-half cent or unit being rounded upwards).

CD Rate Notes

“CD Rate” means the rate on any Interest Determination Date for negotiable certificates of deposit having the Index Maturity as published by the Board of Governors of the Federal Reserve System (the “FRB”) in “Statistical Release H.15(519), Selected Interest Rates” or any successor publication of the FRB (“H.15(519)”) under the heading “CDs (Secondary Market)”.

If the above rate is not published in H.15(519) by 3:00 p.m. on the Calculation Date, the CD Rate will be the rate on such Interest Determination Date set forth in the daily update of H.15(519), available through the world wide website of the FRB at <http://www.federalreserve.gov/releases/h15/Update>, or any successor site or publication or other recognized electronic source used for the purpose of displaying the applicable rate (“H.15 Daily Update”) under the caption “CDs (Secondary Market)”.

If such rate is not published in either H.15(519) or H.15 Daily Update by 3:00 p.m. on the Calculation Date, the Calculation Agent will determine the CD Rate to be the arithmetic mean of the secondary market offered rates as of 10:00 a.m. on such Interest Determination Date of three leading nonbank dealers(1) in negotiable U.S. dollar certificates of deposit in New York City selected by the Calculation Agent for negotiable U.S. dollar certificates of deposit of major United States money center banks of the highest credit standing in the market for negotiable certificates of deposit with a remaining maturity closest to the Index Maturity in the denomination of \$5,000,000.

If the dealers selected by the Calculation Agent are not quoting as set forth above, the CD Rate will remain the CD Rate then in effect on such Interest Determination Date.

Commercial Paper Rate Notes

“Commercial Paper Rate” means the Money Market Yield (calculated as described below) of the rate on any Interest Determination Date for commercial paper having the Index Maturity, as published in H.15(519) under the heading “Commercial Paper-Nonfinancial”.

If the above rate is not published in H.15(519) by 3:00 p.m. on the Calculation Date, then the Commercial Paper Rate will be the Money Market Yield of the rate on such Interest Determination Date for commercial paper of the Index Maturity as published in H.15 Daily Update under the heading “Commercial Paper-Nonfinancial”.

If by 3:00 p.m. on such Calculation Date such rate is not published in either H.15(519) or H.15 Daily Update, then the Calculation Agent will determine the Commercial Paper Rate to be the Money Market Yield of the arithmetic mean of the offered rates as of 11:00 a.m. on such Interest Determination Date of three leading dealers of U.S. dollar commercial paper in New York City selected by the Calculation Agent for commercial paper of the Index Maturity placed for an industrial issuer whose bond rating is “AA,” or the equivalent, from a nationally recognized statistical rating organization.

If the dealers selected by the Calculation Agent are not quoting as mentioned above, the Commercial Paper Rate with respect to such Interest Determination Date will remain the Commercial Paper Rate then in effect on such Interest Determination Date.

“Money Market Yield” will be a yield calculated in accordance with the following formula:

(1) Such nonbank dealers referred to in this Statement of Terms may include affiliates of the Dealer.

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal and “M” refers to the actual number of days in the interest period for which interest is being calculated.

Federal Funds Rate Notes

“Federal Funds Rate” means the rate on any Interest Determination Date for Federal Funds as published in Reuters (or any successor service) on page FEDFUNDS1 under the heading “EFFECT” (or any other page as may replace the specified page on that service) (“Reuters Page FEDFUNDS1”).

If the above rate does not appear on Reuters Page FEDFUNDS1 or is not so published by 3:00 p.m. on the Calculation Date, the Federal Funds Rate will be the rate on such Interest Determination Date as published in H.15 Daily Update under the heading “Federal Funds/(Effective)”.

If such rate is not published as described above by 3:00 p.m. on the Calculation Date, the Calculation Agent will determine the Federal Funds Rate to be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar federal funds arranged by each of three leading brokers of Federal Funds transactions in New York City selected by the Calculation Agent prior to 9:00 a.m. on such Interest Determination Date.

If the brokers selected by the Calculation Agent are not quoting as mentioned above, the Federal Funds Rate will remain the Federal Funds Rate then in effect on such Interest Determination Date.

LIBOR Notes

The London Interbank offered rate (“LIBOR”) means, with respect to any Interest Determination Date, the rate for deposits in U.S. dollars having the Index Maturity that appears on the Designated LIBOR Page as of 11:00 a.m. London time, on such Interest Determination Date.

If no rate appears, LIBOR will be determined on the basis of the rates at approximately 11:00 a.m., London time, on such Interest Determination Date at which deposits in U.S. dollars are offered to prime banks in the London interbank market by four major banks in such market selected by the Calculation Agent for a term equal to the Index Maturity and in principal amount equal to an amount that in the Calculation Agent’s judgment is representative for a single transaction in U.S. dollars in such market at such time (a “Representative Amount”). The Calculation Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR for such interest period will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in New York City, on such Interest Determination Date by three major banks in New York City, selected by the Calculation Agent, for loans in U.S. dollars to leading European banks, for a term equal to the Index Maturity and in a Representative Amount; provided, however, that if fewer than three banks so selected by the Calculation Agent are providing such quotations, the then existing LIBOR rate will remain in effect for such Interest Payment Period.

“Designated LIBOR Page” means Reuters Screen LIBOR01 Page or any replacement page or pages on which London interbank rates of major banks for the Index Currency are displayed.

Prime Rate Notes

“Prime Rate” means the rate on any Interest Determination Date as published in H.15(519) under the heading “Bank Prime Loan”.

If the above rate is not published in H.15(519) prior to 3:00 p.m. on the Calculation Date, then the Prime Rate will be the rate on such Interest Determination Date as published in H.15 Daily Update opposite the caption “Bank Prime Loan”.

If the rate is not published prior to 3:00 p.m. on the Calculation Date in either H.15(519) or H.15 Daily Update, then the Calculation Agent will determine the Prime Rate to be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME1 Page (as defined below) as such bank’s prime rate or base lending rate as of 11:00 a.m. on that Interest Determination Date.

If fewer than four such rates referred to above are so published by 3:00 p.m. on the Calculation Date, the Calculation Agent will determine the Prime Rate to be the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on such Interest Determination Date by three major banks in New York City selected by the Calculation Agent.

If the banks selected are not quoting as mentioned above, the Prime Rate will remain the Prime Rate in effect on such Interest Determination Date.

“Reuters Screen US Prime1 Page” means the display designated as page “USPrime1” of the Reuters Service, or any successor service, or any replacement page or pages on that service, for the purpose of displaying prime rates or base lending rates of major U.S. banks.

Treasury Rate Notes

“Treasury Rate” means:

(1) the rate from the auction held on the Interest Determination Date (the “Auction”) of direct obligations of the United States (“Treasury Bills”) having the Index Maturity specified in the applicable pricing supplement above under the caption “INVESTMENT RATE”, as that rate appears on Reuters Screen USAUCTION10 or USAUCTION11 Page under the heading “Investment Rate” (or any other page as may replace the specified page on that service or a successor service).

(2) if the rate referred to in clause (1) is not so published by 3:00 p.m. on the related Calculation Date, the Bond Equivalent Yield (as defined below) of the rate for the applicable Treasury Bills as published in H.15 Daily Update, under the caption “U.S. Government Securities/Treasury Bills/Auction High”, or

(3) if the rate referred to in clause (2) is not so published by 3:00 p.m. on the related Calculation Date, the Bond Equivalent Yield of the auction rate of the applicable Treasury Bills as announced by the United States Department of the Treasury, or

(4) if the rate referred to in clause (3) is not so announced by the United States Department of the Treasury, or if the Auction is not held, the Bond Equivalent Yield of the rate on the particular Interest Determination Date of the applicable Treasury Bills as published in H.15(519) under the caption “U.S. Government Securities/Treasury Bills/Secondary Market”, or

(5) if the rate referred to in clause (4) not so published by 3:00 p.m. on the related Calculation Date, the rate on the particular Interest Determination Date of the applicable Treasury Bills as published in H.15 Daily Update, under the caption “U.S. Government Securities/Treasury Bills/Secondary Market”, or

(6) if the rate referred to in clause (5) is not so published by 3:00 p.m. on the related Calculation Date, the rate on the particular Interest Determination Date calculated by the Calculation Agent as the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m. on that Interest Determination Date, of three primary United States government securities dealers selected by the Calculation Agent for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified in the Supplement, or

(7) if the dealers so selected by the Calculation Agent are not quoting as mentioned in clause (6), the Treasury Rate in effect on the particular Interest Determination Date.

“Bond Equivalent Yield” means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal, “N” refers to 365 or 366, as the case may be, and “M” refers to the actual number of days in the applicable Interest Reset Period.

3. Final Maturity. The Stated Maturity Date for any Note will be the date so specified in the Supplement, which shall be no later than 397 days from the date of issuance. On its Stated Maturity Date, or any date prior to the Stated Maturity Date on which the particular Note becomes due and payable by the declaration of acceleration, each such date being referred to as a Maturity Date, the principal amount of each Note, together with accrued and unpaid interest thereon, will be immediately due and payable.
4. Events of Default. The occurrence of any of the following shall constitute an “Event of Default” with respect to a Note: (i) default in any payment of principal of or interest on such Note (including on a redemption thereof); (ii) the Issuer or any Guarantor makes any compromise arrangement with its creditors generally including the entering into any form of moratorium with its creditors generally; (iii) a court having jurisdiction shall enter a decree or order for relief in respect of the Issuer or any Guarantor in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or there shall be appointed a receiver, administrator, liquidator, custodian, trustee or sequestrator (or similar officer) with respect to the whole or substantially the whole of the assets of the Issuer or such Guarantor and any such decree, order or appointment is not removed, discharged or withdrawn within 60 days thereafter; or (iv) the Issuer or any Guarantor shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment of or taking possession by a receiver, administrator, liquidator, assignee, custodian, trustee or sequestrator (or similar official), with respect to the whole or substantially the whole of the assets

of the Issuer or any Guarantor or make any general assignment for the benefit of creditors. Upon the occurrence of an Event of Default, the principal of each obligation evidenced by such Note (together with interest accrued and unpaid thereon) shall become, without any notice or demand, immediately due and payable.(2)

5. Obligation Absolute. No provision of the Issuing and Paying Agency Agreement under which the Notes are issued shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on each Note at the times, place and rate, and in the coin or currency, herein prescribed.
6. Supplement. Any term contained in the Supplement shall supercede any conflicting term contained herein.

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- (2) Unlike single payment notes, where a default arises only at the stated maturity, interest-bearing notes with multiple payment dates should contain a default provision permitting acceleration of the maturity if the Issuer defaults on an interest payment.

Exhibit D

Form of Guarantee

GUARANTEE

GUARANTEE, dated as of August 6, 2008, of STAPLES THE OFFICE SUPERSTORE, LLC, a Delaware limited liability company, STAPLES THE OFFICE SUPERSTORE EAST, INC., a Delaware corporation, STAPLES CONTRACT AND COMMERCIAL, INC., a Delaware corporation, and STAPLES THE OFFICE SUPERSTORE, LIMITED PARTNERSHIP, a Massachusetts limited partnership (each a “Guarantor” and collectively, the “Guarantors”).

The Guarantors, for value received, hereby jointly and severally agree as follows for the benefit of the holders from time to time of the Notes hereinafter described:

1. Each Guarantor irrevocably guarantees payment in full, as and when the same becomes due and payable, of the principal of and interest, if any, on the promissory notes (the “Notes”) issued by Staples, Inc., a Delaware corporation (the “Issuer”), from time to time pursuant to the Issuing and Paying Agent Agreement, dated as of June 9, 2008, as the same may be amended, supplemented or modified from time to time, between the Issuer and LaSalle Bank (the “Agreement”).
2. Each Guarantor’s obligations under this Guarantee shall be unconditional, irrespective of the validity or enforceability of any provision of the Agreement or the Notes.
3. This Guarantee is a guaranty of the due and punctual payment (and not merely of collection) of the principal of and interest, if any, on the Notes by the Issuer and shall remain in full force and effect until all amounts have been validly, finally and irrevocably paid in full, and shall not be affected in any way by any circumstance or condition whatsoever, including without limitation (a) the absence of any action to obtain such amounts from the Issuer, (b) any variation, extension, waiver, compromise or release of any or all of the obligations of the Issuer under the Agreement of the Notes or of any collateral security therefore or (c) any change in the existence or structure of, or the bankruptcy or insolvency of, the Issuer or by any other circumstance (other than by complete, irrevocable payment) that might otherwise constitute a legal or equitable discharge or defense of a guarantor or surety. Each Guarantor waives all requirements as to diligence, presentment, demand for payment, protest and notice of any kind with respect to the Agreement and the Notes.
4. In the event of a default in payment of principal of or interest on any Notes, the holders of such Notes, may institute legal proceedings directly against each Guarantor to enforce this Guarantee without first proceeding against the Issuer.
5. This Guarantee shall remain in full force and effect or shall be reinstated (as the case may be) if at any time any payment by the Issuer of the principal of or interest, if any, on the Notes, in whole or in part, is rescinded or must otherwise

be returned by the holder upon the insolvency, bankruptcy or reorganization of the Issuer or otherwise, all as though such payment had not been made.

6. This Guarantee shall be permanently released as to any Guarantor party hereto if (a) such Guarantor is not a guarantor of the Issuer's publicly issued notes or bonds outstanding from time to time or any such guarantee of the Issuer's publicly issued notes or bonds is subject to release concurrently with the release of this Guarantee, and (b) if there are no amounts that are both unpaid and overdue under the Notes or Guarantee and there is no continuing Event of Default (as defined in the Amended and Restated Commercial Paper Dealer Agreement, dated as of August 6, 2008, between the Issuer and Lehman Brothers Inc.) on the date of such release. Such release shall be immediate and automatic without any requirement of any notice to or acknowledgment by any holder of the Notes.
7. This Guarantee shall be governed by and construed in accordance with the laws of the State of New York.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, each Guarantor has caused this Guarantee to be duly executed as of the day and year first above written.

STAPLES THE OFFICE SUPERSTORE, INC.

By: _____
Name: Nicholas Hotchkin
Title: Senior Vice President, Finance and Treasurer

STAPLES THE OFFICE SUPERSTORE EAST, INC.

By: _____
Name: Nicholas Hotchkin
Title: Senior Vice President, Finance and Treasurer

STAPLES CONTRACT AND COMMERCIAL, INC.

By: _____
Name: Nicholas Hotchkin
Title: Senior Vice President, Finance and Treasurer

STAPLES THE OFFICE SUPERSTORE, LIMITED
PARTNERSHIP

By its General Partner: Staples, Inc.

By: _____
Name: Nicholas Hotchkin
Title: Senior Vice President, Finance and Treasurer

Principal Executive Officer Certification

I, Ronald L. Sargent, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: December 1, 2008

/s/ Ronald L. Sargent

Ronald L. Sargent
Chairman and Chief Executive Officer
(Principal Executive Officer)

Principal Financial Officer Certification

I, John J. Mahoney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: December 1, 2008

/s/ John J. Mahoney

John J. Mahoney
Vice Chairman and Chief Financial Officer
(Principal Financial Officer)

Principal Executive Officer Certification

In connection with the quarterly report on Form 10-Q of Staples, Inc. (the "Company") for the period ended November 1, 2008 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: December 1, 2008

/s/ Ronald L. Sargent
Ronald L. Sargent
Chairman and Chief Executive Officer
(Principal Executive Officer)

Principal Financial Officer Certification

In connection with the quarterly report on Form 10-Q of Staples, Inc. (the "Company") for the period ended November 1, 2008 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: December 1, 2008

/s/ John J. Mahoney

John J. Mahoney
Vice Chairman and Chief Financial Officer
(Principal Financial Officer)

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