CONFIDENTIAL

COPY

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October 29, 1999

This claim of confidentiality was filed by or on behalf of a telecommunications company for Confidential Document No. 13367.4 The document has been placed in locked storage pending staff advice on handling. Your name must be on the CASR to access the material. If it is undocketed, your division director must obtain written permission from the EXD/Tech before you can access it.

991661-TX

VIA FEDERAL EXPRESS

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Gerald Gunter Building
Tallahassee, Florida 32399

Re: Application of Claricom Networks, Inc. d/b/a Staples Communications – Networks for Authority to Operate as a Reseller of Local Exchange Telecommunications Services within the State of Florida

Dear Ms. Bayo:

On behalf of Claricom Networks, Inc. d/b/a Staples Communications – Networks ("Claricom"), we hereby submit an original and five (5) copies of its application and tariff for authority to operate as a reseller of local exchange telecommunications services within the State of Florida.

In accord with the Commission's Rules, Claricom has enclosed a check in the amount of $250.00, in payment of the Commission's fees for processing its application.

A sealed envelope, marked "Confidential," which contains copies of Claricom's financial statements, is also enclosed herewith. Claricom seeks to have the documents contained in the sealed envelope treated as confidential, and respectfully requests that the Commission treat them as such.

We have included an extra copy of this filing, marked "Stamp and Return," as well as a self-addressed, pre-paid overnight airbill and delivery envelope. Please stamp and return the extra copy to confirm your receipt.

DOCUMENT NUMBER-DATE
13366 NOV-1 99
FPSC-RECORDS/REPORTING

1071165 v1; MY$L01!.DOC

Please direct any inquiries regarding this filing to the undersigned.

Respectfully submitted,
CLARICOM NETWORKS, INC. D/B/A STAPLES COMMUNICATIONS – NETWORKS

By ________________________
Valerie M. Furman

VMF/clh
Enclosures

APPLICATION FORM

1. **This is an application for ✓ (check one):**

   (✓) **Original authority (new company)**

   (   ) **Approval of transfer (to another certificated company)**

   > **<u>Example</u>, a certificated company purchases an existing company and desires to retain the original certificate authority.**

   (   ) **Approval of assignment of existing certificate (to a noncertificated company)**

   > **<u>Example</u>, a non-certificated company purchases an existing Company and desires to retain the certificate of authority rather than apply for a new certificate.**

   (   ) **Approval for transfer of control (to another certificated company)**

   > **<u>Example</u>, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.**

2. **Name of Applicant:**

   Claricom Networks, Inc. d/b/a Staples Communications – Networks ("Claricom")

3. **Name under which the applicant will do business (d/b/a)**

   Staples Communications – Networks

4. **If applicable, please provide proof of fictitious name (d/b/a) registration.**

   Fictitious name registration number: G99194900146 (*see also* Exhibit A)

5. **National mailing address including street name, number, post office box, city, state, zip code, and phone number.**

   478 Wheelers Farms Road
   Building B
   Milford, Connecticut 06460
   (203) 882-3700
   (203) 882-3730 (fax)

DOCUMENT NUMBER-DATE
13366 NOV-1 99
FPSC-RECORDS/REPORTING

6. **Structure of organization: ✓ Check appropriate box(s)**

( )	**Individual**	( )	**Corporation**
(✓)	**Foreign Corporation**	( )	**Foreign Partnership**
( )	**General Partnership**	( )	**Limited Partnership**
( )	**Joint Venture**	( )	**Other, Please explain**

7. **If applicant is an individual, partnership, or joint venture, please give name, title and address of each legal entity.**

   Not applicable.

8. **State whether any of the officers, directors, or any of the ten largest stockholders have previously been adjudged bankrupt, mentally incompetent, or found guilty or any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.**

   None of Claricom's officers or directors, or any of its ten largest stockholders, have previously been adjudged bankrupt, mentally incompetent, or found guilty or any felony or of any crime, or whether such actions may result from pending proceedings.

9. **If incorporated, please provide proof from the Florida Secretary of State that the applicant has authority to operate in Florida.**

   Corporate charter number: F96000002593 (*see also* Exhibit B)

10. **Please provide the name, title, address, telephone number, Internet address, and facsimile number for the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application.**

Ongoing Commission Liaison

Joyce E. Johnson, Esq.
Corporate and Regulatory Counsel
and Assistant Secretary
Claricom Networks, Inc. d/b/a
Staples Communications-Networks
478 Wheelers Farms Road, Building B
Milford, Connecticut 06460
(203) 882-4545
(203) 882-3730 (fax)

Contact Persons Regarding This Application

Albert H. Kramer, Esq.
Valerie M. Furman, Esq.
Dickstein Shapiro Morin
& Oshinsky LLP
2101 L Street, N.W.
Washington, D.C. 20037
(202) 833-5017
(202) 887-0689 (fax)

11. **Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.**

As of the date of this filing, Claricom has been granted authority to operate as a reseller of local exchange telecommunications services in the Commonwealth of Massachusetts and the State of New York, and has provisional authority to resell local exchange telecommunications services in the Commonwealth of Pennsylvania. Claricom also has applications for authority to resell local exchange telecommunications services pending in the states of Ohio and Pennsylvania. The services proposed in the pending applications are the same as those proposed herein. Claricom plans to seek authority to resell local exchange telecommunications services in the remaining states in coming months. In addition, Claricom's sister corporation, Clarity Telecom Local Network Services, Inc., is authorized to resell local exchange telecommunications services in the states of Illinois and Washington.

12. **Has the applicant been denied certification in any other state? If so, please list the state and reason for denial.**

No.

13. **Have penalties been imposed against the applicant in any other state? If so, please list the state and reason for penalty.**

No.

14. **Please indicate how a customer can file a service complaint with your company.**

Customers may file a service complaint by either writing to the company at its corporate headquarters, or by telephoning the company toll free at (800) 679-9866.

15. **Please complete and file a price list in accordance with Commission Rule 25-24.825. (Rule attached).**

Please see Exhibit C.

16. **Please provide all available documentation demonstrating that the applicant has the following capabilities to provide alternative local exchange service in Florida.**

A. **Financial capability** Please see Exhibit D.

Regarding the showing of financial capability, the following applies:

The application <u>should contain</u> the applicant's financial statements for the most recent 3 years, including:

1. **the balance sheet**

2. **income statement**

3. **statement of retained earnings**

Further, a written explanation, which can include supporting documentation, regarding the following should be provided to show financial capability.

1. **Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.**

2. **Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.**

3. **Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.**

NOTE: This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.

If available, the financial statements should be audited financial statements.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should attest that the financial statements are true and correct.

B. Managerial capability. Please see Exhibit E.

C. Technical capability. Please see Exhibit E.

(If you will be providing local intra-exchange switched telecommunications service, then state how you will provide access to 911 emergency service. If the nature of the emergency 911 service access and funding mechanism is not equivalent to that provided by the local exchange companies in the areas to be served, described in detail the difference.)

Claricom Networks, Inc. intends to operate as a reseller of local exchange service within the State of Florida. Accordingly, all access to 911 emergency service by Claricom will be accomplished by whatever means are employed by Claricom's underlying carrier(s).

APPLICATION FORM

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now an din the future, with all applicable Commission rules and orders.

Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

Official: ______________________ ______________________
Joyce E. Johnson (Signature) Date

Title: Corporate and Regulatory Counsel and Assistant Secretary

(203) 882-4545
Telephone Number

Address: 478 Wheelers Farms Road
Building B
Milford, Connecticut 06460

FORM PSC//CMU 8(11/95)
Required by Chapter 364.337 F.S.
850867

EXHIBIT A

Proof Of Fictitious Name
(d/b/a) Registration

FLORIDA DEPARTMENT OF STATE
Katherine Harris
Secretary of State

July 13, 1999

STAPLES COMMUNICATIONS - NETWORKS
1100 PARK CENTRAL BLVD. SOUTH
SUITE 2400
POMPANO BEACH, FL 33064

Subject: **STAPLES COMMUNICATIONS - NETWORKS**

REGISTRATION NUMBER: **G99194900146**

This will acknowledge the filing of the above fictitious name registration which was registered on July 13, 1999. This registration gives no rights to ownership of the name.

Each fictitious name registration must be renewed every five years between July 1 and December 31 of the expiration year to maintain registration. Three months prior to the expiration date a statement of renewal will be mailed.

IT IS THE RESPONSIBILITY OF THE BUSINESS TO NOTIFY THIS OFFICE IN WRITING IF THEIR MAILING ADDRESS CHANGES. Whenever corresponding please provide assigned Registration Number.

Should you have any questions regarding this matter you may contact our office at (850) 488-9000.

Reinstatements Section
Division of Corporations   Letter No. 099A00036034

APPLICATION FOR REGISTRATION OF FICTITIOUS NAME

FILED
99 JUL 13 PM 1:17
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

This space for office use only

Section 1

1. Staples Communications - Networks
Fictitious Name to be Registered

2. 1100 Park Central Blvd. South
Mailing Address of Business
Suote 2400

City Pompano Beach, Florida 33064
Zip Code

3. Florida County Broward

4. FEI Number: 043314894

Section 2

A. Owner(s) of Fictitious Name If Individual(s) (use an attachment if necessary):

1. Last First M.I.
Address
City State Zip Code
SS# ___ - ___ - ___

2. Last First M.I.
Address
City State Zip Code
SS# ___ - ___ - ___

B. Owner(s) of Fictitious Name If Corporation(s) (use an attachment if necessary):

1. Claricom Networks, Inc.
Corporate Name
478 Wheelers Farms Rd.
Address
Milford CT 06460
City State Zip Code
Florida Corporate Document No: F96000002593
FEI Number:
☐ Applied for ☐ Not Applicable

2. Corporate Name
Address
City State Zip Code
Florida Corporate Document No.:
FEI Number:
☐ Applied for ☐ Not Applicable

Section 3

I (we) the undersigned, being the sole (all the) party(ies) owning interest in the above fictitious name, certify that the information indicated on this form is true and accurate. I (we) further certify that the fictitious name shown in Section 1 of this form has been advertised at least once in a newspaper as defined in chapter 50, Florida Statutes, in the county where the applicant's principal place of business is located. I (we) understand that the signature(s) below shall have the same legal effect as if made under oath. (At Least One Signature Required)

Joyce E Gleason 7/9/99
Signature of Owner Assistant Secretary Date

Phone Number: (203) 882-3700

Signature of Owner Date

Phone Number:

Section 4

FOR CANCELLATION COMPLETE SECTION 4 ONLY:
FOR FICTITIOUS NAME OWNERSHIP CHANGE COMPLETE SECTIONS 1 THROUGH 4:

I (we) the undersigned, hereby cancel the fictitious name ______________, which was registered on ______________ and was assigned registration number ______________

Signature of Owner Date

Signature of Owner Date

Mark the applicable boxes ☐ Certificate of Status – $10 ☐ Certified Copy – $30
FILING FEE: $50

Note: Acknowledgements/certificates will be sent to the address in Section 1 only.

(FLA. – 737 – 8/5/94) CTsystem

CR4E-001 (1/91)

EXHIBIT B

Proof From the Florida Secretary of State
That Claricom Has Authority To Operate in Florida

FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

December 24, 1997

CT CORPORATION SYSTEM

TALLAHASSEE, FL

Re: Document Number F96000002593

The Amendment to the Application of a Foreign Corporation for CLARITY TELECOM LD NETWORK SERVICES, INC. which changed its name to CLARICOM NETWORKS, INC., a Delaware corporation authorized to transact business in Florida, was filed on December 24, 1997.

Should you have any questions regarding this matter, please telephone (850) 487-6050, the Amendment Filing Section.

Karen Gibson
Corporate Specialist
Division of Corporation

Letter Number: 297A00060355

APPLICATION BY FOREIGN CORPORATION TO FILE AMENDMENT TO APPLICATION FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

FILED
97 DEC 24 PM 1:25
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

SECTION I (1-3 must be completed)

1. Clarity Telecom LD Network Services, Inc.
Name of corporation as it appears within the records of the Department of State.

2. Incorporated under laws of: Delaware

3. Date authorized to do business in Florida: May 23, 1996

SECTION II (4-7 complete only the applicable changes)

4. If the amendment changes the name of the corporation, when was the change effected under the laws of its jurisdiction of incorporation?

December 15, 1997

5. Name of corporation after the amendment, adding suffix "corporation," "company," "incorporated," or appropriate abbreviation, if not contained in new name of the corporation:

Claricom Networks, Inc.

6. If the amendment changes the period of duration, indicate new period of duration.

No Change

7. If the amendment changes the jurisdiction of incorporation, indicate new jurisdiction.

James Graham

Signature
Name and Title

James Graham, Vice President

DECEMBER 18, 1997

Date

(FLA.- 2251 - 3/19/93)
C T SYSTEM

EXHIBIT C

Claricom's Price List

Local Exchange Telecommunications Resale Services Tariff

of

Claricom Networks, Inc. d/b/a Staples Communications - Networks

for the

State of Florida

Issued: **Effective**:

Issued by:
Joyce E. Johnson
Corporate & Regulatory Counsel and Assistant Secretary
Claricom Networks, Inc. d/b/a Staples Communications - Networks
478 Wheelers Farms Road, Building B
Milford, Connecticut 06460

CHECK SHEET

Pages 1 through 25 inclusive of this Tariff are effective as of the date shown on the bottom of the respective pages. Original and revised pages, as named below, comprise all changes from the original tariff and are currently in effect as of the date at the bottom of this page:

Page Number	Issue
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
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22	Original
23	Original
24	Original
25	Original

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TARIFF FORMAT

A. PAGE NUMBERING - Sheet numbers appear in the upper right corner of the sheet. Sheets are numbered sequentially. However, new sheets are occasionally added to the Tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new page added between pages 1 and 2 would be page 1.1.

B. PAGE REVISION NUMBERS - Revision numbers also appear in the upper right corner of each sheet. These numbers are used to determine the most current sheet version on file with the Commission. For example, the 4th revised Sheet 14 cancels the 3rd Revised Sheet 14. Because of various suspension periods, deferrals, etc., that the Commission follows in their tariff approval process, the most current sheet number on file with the Commission is not always the sheet in effect. Consult the Check Sheet currently in effect.

C. CHECK SHEETS - When a tariff filing is made with the Commission, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number.

When new sheets are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it (.i.e., the format, etc., remains the same, just revised revision levels are indicated on some sheets). The tariff user should refer to the latest check sheet to find if a particular sheet is the most current on file with the Commission.

EXPLANATION OF SYMBOLS

When changes are made in any Tariff page, a revised page will be issued canceling the Tariff page affected. Changes will be identified on the revised page(s) through the use of the following symbols:

(C) - To signify a changed condition or regulation.

(D) - To signify a discontinued rate, regulation or condition.

(I) - To signify an increase in rates or charges.

(M) - To signify material relocated from or to another part of this tariff with no change in text, rate, regulation or condition.

(N) - To signify new material, including rates, conditions, or regulations.

(R) - To signify a reduction in rates or charges.

(S) - To signify a correction or reissued matter.

(T) - To signify a change in text, but no change in rate, regulation or condition.

CONCURRING, CONNECTING AND OTHER PARTICIPATING CARRIERS

Concurring Carriers

None

Connecting Carriers

None

Other Participating Carriers

None

APPLICATION OF TARIFF

This Tariff contains the regulations, terms, conditions, services offerings, rates and charges applicable to Claricom Networks, Inc. d/b/a Staples Communications - Networks ("Company") furnishing of resold local exchange and intrastate intraLATA toll telephone service in the State of Florida to customers within all areas served by BellSouth Telecommunications, Inc. ("Underlying Carrier") as made available under BellSouth Telecommunications, Inc. tariffs . The rates and rules contained herein are subject to change pursuant to the statutes, rules and regulations of the State of Florida.

This Tariff is on file with the Florida Public Service Commission at 2540 Shumard Oak Boulevard, Gerald Gunter Building, Tallahassee, Florida 32399. In addition, this Tariff is available for review at the Company's corporate headquarters located at 478 Wheelers Farms Road, Building B, Milford, Connecticut 06460.

SECTION 1 - DEFINITIONS AND ABBREVIATIONS

AUTHORIZED USER - A person, firm or corporation which is authorized by the Customer or Joint User to be connected to the service of the Customer or Joint User, respectively. An Authorized User must be specifically named in the application for service.

BIT - The small unit of information in the binary system of notation.

CERTIFICATED CARRIER - Any carrier approved by the Commission to provide telecommunications service.

COMMISSION - The Florida Public Service Commission.

COMPANY - Claricom Networks, Inc. d/b/a Staples Communications-Networks

CONSUMER - The calling party utilizing the services of Company and responsible for payment of charges, unless that responsibility has been accepted by others, such as in the case of collect and third party calls. (Consumer may also be referred to as "User" in this Tariff.)

CPE - Customer Premise Equipment; telecommunications terminal equipment that is located at the Customer's residence or place of business. CPE includes devices ranging from simple single-line telephones on up through multi-line systems (such as key systems or PBXs) offering sophisticated capabilities for handling voice or combined voice/data transmissions on and off the premises.

CUSTOMER - A person, firm, corporation or other entity which contracts with Company for the provision of services offered by Company.

DAY - For billing purposes, day rates shall apply 8:00 a.m. to 4:59 p.m. Monday through Friday.

DEDICATED ACCESS - An arrangement whereby a Customer or other common carrier uses a dedicated private line facility to access the Company switching facility port.

DID - Direct Inward Dialing, a feature of PBXs and Centrex systems which allows callers on the public switched network to directly dial a specific PBX/Centrex extension telephone.

DISCOUNT - (1) A percentage reduction in rates due to time of call, holiday or weekend; (2) A percentage reduction in rates due to Customer commitment to maintain service either for a specified length of time or for a specified annual usage rate.

SECTION 1 - DEFINITIONS AND ABBREVIATIONS (continued)

EVENING - For billing purposes, evening rates shall apply 5:00 p.m. to 10:59 p.m. Monday through Friday and Sunday.

HOLIDAY - Company recognized holidays for rate purposes are: New Year's Day, Labor Day, Thanksgiving Day, Independence Day and Christmas Day.

JOINT USER - A person, firm or corporation designated by a Customer as a User of service furnished to that Customer and to whom a portion of the charges for the service will be billed under a "Joint User" arrangement as specified herein.

KBPS - Kilobits per second, denotes thousands of bits per second; a measurement of speed in a digital transmission system.

LATA - Local Access Transport Area; one of 161 local telephone exchange areas established as a result of the MFJ which serve to distinguish local phone service from long-distance service.

LOCAL CALLS - All calls which if similarly originated through the local exchange telephone company, would be rated as a home region call.

MBPS - Megabits per second, denotes millions of bits per second.

MFJ - Modification of Final Judgment; a term applied to the divestiture agreement that forced AT&T to get out of the local exchange business and give up its local phone companies.

NIGHT - For billing purposes, night rates shall apply 11:00 p.m. to 7:59 a.m. Monday through Friday, and all day Saturday and Sunday until 5:00 p.m. and after 11:00 p.m.

PBX - Private Branch Exchange; a device, installed on the user's premises, that provides for the automatic selection of outgoing lines in accordance with user-defined criteria. the PBX functions as a switch that permits a user to receive incoming calls, to dial any other telephone on the premises, to access tie trunk leading to another PBX or to access an outside trunk to the public switched telephone network. In addition, PBXs offer a wide variety of call-control and call-accounting features.

PORT - A facility or equipment system or subsystem set aside for the sole use of a specific Customer.

SECTION 1 - DEFINITIONS AND ABBREVIATIONS (continued)

PREMISES - The space occupied by a User in a building or buildings or contiguous property (except railroad rights of way, etc.) not separated by a highway.

TYPE I - Both the originating and terminating end points are supplied by the same underlying carrier.

TYPE II - Either the originating or the terminating end points are supplied by the Company's underlying carrier, but the other end point is supplied by an alternative Local Exchange Carrier ("LEC").

UNDERLYING CARRIER - BellSouth Telecommunications, Inc.

USER - An Authorized User, Customer or Joint User at whose Premises the Company furnishes service.

SECTION 2 - SERVICE AREA

The company will resell the local exchange services of its Underlying Carrier throughout the State of Florida in the exchange areas of the Company's Underlying Carrier. The exchange areas of the Company's Underlying Carrier in which the Company will provide service are located in all or part of the following counties (where facilities exist):

Alachua
Baker
Bay
Bradford
Brevard
Broward
Calhoun
Charlotte
Citrus
Clay
Collier
Columbia
Dale
De Soto
Dixie
Duval
Escambia
Flagler
Franklin
Gradsden
Gilchrist
Glades
Gulf
Hamilton
Hardee
Hendry
Hernando
Highlands
Hillsborough
Holmes
Indian River
Jackson
Jefferson
Lafayette
Lake
Lee
Leon
Levy
Liberty
Madison
Manatee
Marion
Martin
Monroe
Nassau
Okaloosa
Okeechobee
Orange
Osceola
Palm Beach
Pasco
Pinellas
Polk
Putnam
St. Johns
St. Lucie
Santa Rosa
Sarasota
Seminole
Sumter
Suwannee
Taylor
Union
Volusia
Wakulla
Walton
Washington

The Company's local calling areas will correspond to the local calling areas of its Underlying Carrier, and the Company incorporates by reference the maps of its Underlying Carrier - whose services the Company will be reselling.

SECTION 3 - TERMS AND CONDITIONS

A. AVAILABILITY OF SERVICE

Local exchange and intrastate intraLATA toll service will be offered by the Company to any person, firm, corporation or other entity ("Customer") located in areas served by the Company's underlying carriers. The Company will make service available to any Customer that wishes to receive service from the Company, subject to the terms and conditions of this tariff. Service is available twenty-four (24) hours per day, seven (7) days per week.

B. LIMITATIONS ON SERVICE

1. Services are offered subject to the availability of the necessary facilities and subject to the terms and conditions of this Tariff. The Company reserves the right to limit or to allocate the use of the existing facilities of its underlying carrier(s), or of additional facilities offered by the Company's underlying carrier(s), when necessary because of a lack of facilities, or due to any other cause beyond the Company's control.

   The furnishing of service under this Tariff is subject to the availability on a continuing basis of all the necessary facilities the Company may obtain from other carriers, to furnish service from time to time as required at the sole discretion of the Company.

2. The Company reserves the right to discontinue service or cancel an application for service without liability upon written notice when necessitated by conditions beyond its control, and in accordance with Section I of this Tariff.

3. Service may not be used for any unlawful purpose or for any use as to which Customer has not obtained all governmental approvals, authorizations, licenses, consents and permits required to be obtained by Customer with respect thereto.

4. The Company may require a Customer to immediately shut down its transmission of signals if said transmission is causing interference to others.

SECTION 3 - TERMS AND CONDITIONS (continued)

5. The Customer may not use the services so as to interfere with or impair service over any facilities or associated equipment, or so as to impair the privacy of any communications over such facilities and associated equipment.

6. There is no limit on the number of calls placed or the length of individual calls.

C. RENDERING AND PAYMENT OF BILLS

1. Bills for service will be rendered monthly to each Customer. Payment will be due within ten (10) days following the rendering of the bill. If payment is not received within ten (10) days of the rendering of a bill, then a late payment charge of one and one-quarter percent per month will be applied to the outstanding balance until payment is received.

2. Customer is responsible for the payment of bills for all calls or services, including any calls or services:

   a. Originated at the Customer's number(s);
   b. Accepted at the Customer's number(s) (*e.g.*, Collect Calls);
   c. Billed to the Customer's number via Third Number;
   d. Billing if the Customer is found to be responsible for such call or service;
   e. Billed to the Customer's number via the use of a Calling Card or the use of a special billing number; or
   f. Incurred at the request of the Customer.

3. The Customer is responsible for the payment of any sales, use, gross receipts, excise, access or other local, state and federal taxes, charges or surcharges (excluding taxes on the Company's net income) based upon the provision, sale and use of services provided pursuant to this Tariff.

4. The Company does not require a deposit for any services provided hereunder.

SECTION 3 - TERMS AND CONDITIONS (continued)

D. LIMITATION OF LIABILITY

1. The liability of the Company for damages arising out of the furnishing of these services, including but not limited to mistakes, omissions, interruptions, delays, or errors or other defects, representations, or use of these services or arising out of the failure to furnish the service, whether caused by acts of commission or omission, shall not exceed the applicable charges under this Tariff. The Company will not be liable for any special, consequential, exemplary or punitive damages a Customer may suffer, whether or not caused by the intentional acts or omissions or negligence of the Company's employees or agents.

2. The Company shall not be liable for loss or damage sustained by reason of failure in or breakdown of facilities or equipment provided by third parties not under its control. In no event shall the Company's liability for any failure, breakdown, or interruption in services exceed the charges applicable under this Tariff for such service.

3. The Company shall not incur any liability, direct or indirect, to any person who dials or attempts to dial, the digits "9-1-1" or to any other person who may be affected by the dialing of the digits "9-1-1".

4. The Company shall not be liable for any failure of performance due to causes beyond its control, including but not limited to, acts of God, fires, lightning, floods or other catastrophes; any law, order, regulation, direction, action, or request of the United governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation or other instrumentality of any one or more of these federal, state, or local governments, or of any civil or military authority; national emergencies, insurrections, riots or wars, strikes, lockouts, work stoppage or other labor difficulties, any failure of local exchange company lines or delays caused by the underlying local exchange company or the Customer or end-user.

5. The Customer is required to notify the Company of any changes to Customer's equipment, including software controlling the equipment's function. The Company is not liable for interruptions in service caused by Customer's failure to notify the Company prior to any change.

SECTION 3 - TERMS AND CONDITIONS (continued)

6. The Company does not guarantee nor make any warranty with respect to installations it provides for use in an explosive atmosphere. The Customer indemnifies and holds the Company harmless from any and all loss, claims, demands, suits, or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location, or use of any installation so provided.

7. The Company shall not be liable for any damages resulting from delays in meeting any service dates due to delays associated with normal construction procedures of its underlying carrier(s). Such delays shall include, but not be limited to, delays in obtaining necessary regulatory approvals for construction, delays in obtaining right-of-way approvals, and delays in actual construction work.

   The Company may undertake to use reasonable efforts to make available services to a Customer on or before a particular date, subject to the provisions of and compliance by the Customer with, the regulations contained in this Tariff. The Company does not guarantee availability by any such date and shall not be liable for any delays in commencing service to any Customer.

8. The Company is not liable for any defacement of or damage to the Premises of a Customer (or authorized or Joint User) resulting from the furnishing of services or equipment of such Premises or the installation or removal thereof, when such defacement or damage is not the result of negligence or willful misconduct on the part of agents or employees of the Company.

9. THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN.

SECTION 3 - TERMS AND CONDITIONS (continued)

10. The Company shall not be liable for any damages whatsoever associated with service, facilities, or equipment which the Company does not furnish or for any act or omission of Customer or any other entity furnishing services, facilities or equipment used for or in conjunction with Company services provided hereunder.

E. INDEMNIFICATION

1. The Company shall not be liable and shall be indemnified and saved harmless by any Customer, end user, or other entity from all loss, claims, demands, suits, or other action or any liability whatever, whether suffered, made, instituted, or asserted by any Customer, end user, or other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the Premises of any Customer, end user or any other entity or any other property whether owned or controlled by the Customer, end user, or others, caused or claimed to have been caused, directly or indirectly, by any act or omission of the Customer, end user, or others or by any installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of facilities or equipment provided by the Company which is not the direct result of the Company's negligence. No agents or employees of any other entity shall be deemed to be the agents or employees of the Company.

2. The Customer and any Authorized Users or Joint Users, jointly and severally, shall indemnify and save the Company harmless from claims, loss, damage, expense (including attorneys' fees and court costs), or liability for libel, slander, or copyright infringement arising from the use of the service; and from claims, loss, damage, expense or liability for patent infringement arising from (1) combining with, or using in connection with facilities the Company furnished, facilities the Customer furnished, Authorized User, or Joint User furnished, or (2) use of facilities the Company furnished in a manner the Company did not contemplate and over which the Company exercises no control; and from all other claims, loss, damage, expense (including attorneys' fees and court costs), or liability arising out of any commission or omission by the Customer, Authorized User, or Joint User in connection with the service. In the event that any such infringing use is enjoined, the Customer, Authorized User, or Joint User, at its option and expense, shall obtain immediately

SECTION 3 - TERMS AND CONDITIONS (continued)

a dismissal or stay or such injunction, obtain a license or other agreement so as to extinguish the claim of infringement, terminate the claimed infringing use, or modify such combination so as to avoid any such infringement. In addition and without limitation, the Customer, Authorized User, or Joint User shall defend, on behalf of the Company and upon request by the Company, any suit brought or claim asserted against the Company for any such slander, libel, infringement or other claims.

F. TESTING, MAINTENANCE, AND ADJUSTING

Upon receipt of suitable notice from Company's underlying carrier(s), the Company will notify Customer of the need to make such tests, adjustments, and inspections as may be necessary to maintain the underlying carrier(s) facilities in a satisfactory operating condition.

No interruption allowance will be credited to the Customer for the period during which the Company's underlying carrier(s) performs such tests, adjustments or inspections.

The Company shall have no responsibility for the maintenance and repair of any kind with respect to equipment and facilities not provided by the Company. The Company will charge the Customer for any maintenance visits with respect to service problems which are determined to arise from equipment or facilities not provided by the Company.

G. NON-ROUTINE INSTALLATION

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours. In such case, charges based on cost of the actual labor, material, or other costs incurred by or charged to the Company will apply. If installation is started during regular business hours, but at the Customer's request, extends beyond regular business hours into time period including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

SECTION 3 - TERMS AND CONDITIONS (continued)

H. GOVERNMENTAL AUTHORIZATIONS

The provision of any services herein are subject to and contingent upon the Company obtaining and retaining such approvals, consents, governmental authorizations, licenses and permits, as may be required or be deemed necessary by the Company. The Company shall use reasonable efforts to obtain and keep in effect all such approvals, consents, authorizations, licenses, and permits that may be required to be obtained by it. The Company shall be entitled to take, and shall have no liability whatsoever for, any action necessary to bring the services into conformance with any rules, regulations, orders, decisions, or directives imposed by the Commission or other applicable agency, and the Customer shall fully cooperate in and take such action as may be requested by the Company to comply with any such rules, regulations, orders, decisions or directives.

I. CANCELLATION OF SERVICE

1. In the event of non-payment of any sums due the use of foul or profane expressions, the impersonation of another with fraudulent intent, or any other violation of the Communications Act of 1934, as amended, or of the Rules and Regulations of the Federal Communications Commission or this state, the Company may either temporarily deny service or terminate service.

2. Denial of Service Without Notice

   The Company may discontinue service without notice for any of the following reasons:

   a. Unauthorized Use of Service: Customer's unauthorized use of service by any method that causes hazardous signals over the network; and/or

   b. Illegal Use of Service: Customer's use of service in a manner to violate the law.

SECTION 3 - TERMS AND CONDITIONS (continued)

3. Denial of Service Requiring Notice

The Company may deny service for any of the following reasons provided it has notified the Customer of its intent, in reasonable time of not less than seven (7) days, or as otherwise specified in these regulations, in which to remove the cause for denial:

a. Non-compliance with Regulations: For violation of or non-compliance with regulations of the Commission, or for violation of or non-compliance with this Tariff.

b. Failure on Contractual Obligations: For failure of the Customer to fulfill its contractual obligations for service or facilities subject to regulation by the Commission.

c. Non-payment of Bill.

(1) For non-payment of bill of service, provided that the Company has made a reasonable attempt to effect collection and has given the Customer written notice of its intent to deny service if settlement of his account is not made and provided the Customer has at least seven (7) days, excluding Sundays and holidays in which to make settlement before his service is denied.

(2) In cases of bankruptcy receivership, abandonment of service, or abnormal toll usage, less than seven (7) days notice may be given if necessary to protect the Company's revenues.

(3) Except in cases where a prior promise to pay has not been kept or bankruptcy, receivership, abandoned service, or abnormal toll usage is involved, the Company may not deny service on the day preceding any day on which it is not prepared to accept payment of the amount due and to reconnect service.

4. Customers wishing to cancel any service under this Tariff shall notify the Company in writing at least thirty (30) days prior to such cancellation.

SECTION 4 - SERVICES, RATES AND CHARGES

A. CONCURRENCE NOTICE

Except as may otherwise be specified by the Company in FL PSC Tariff No. 1, the Company concurs in the rules, regulations, terms, conditions, services offerings, rates and charges of BellSouth Telecommunications, Inc. as set forth in the following BellSouth Telecommunications, Inc. tariffs, to the extent the services therein are made available for resale by BellSouth Telecommunications, Inc.:

BELLSOUTH FL - TARIFF A - GENERAL SUBSCRIBER SERVICE TARIFF

A3 BASIC LOCAL EXCHANGE SERVICE
A4 SERVICE CHARGES
A5 CHARGES APPLICABLE UNDER SPECIAL CONDITIONS
A6 DIRECTORY LISTINGS
A8 TELEPHONE ANSWERING SERVICE FACILITIES
A9 FOREIGN EXCHANGE SERVICE AND FOREIGN CENTRAL OFFICE SERVICE
A10 KEY AND PUSHBUTTON TELEPHONE SERVICE
A11 PRIVATE BRANCH EXCHANGE SERVICE
A12 CENTRAL OFFICE NON-TRANSPORT SERVICE OFFERINGS
A13 MISCELLANEOUS SERVICE ARRANGEMENTS
A17 MOBILE TELEPHONE SERVICE
A18 LONG DISTANCE MESSAGE TELECOMMUNICATIONS SERVICE
A19 WIDE AREA TELECOMMUNICATIONS SERVICE
A22 CUSTOMER PAYMENT PLANS
A24 EMERGENCY REPORTING SERVICES
A25 HORIZON® COMMUNICATIONS SYSTEM
A28 PERSONAL SIGNALING SERVICE (CALL PERSON)
A29 DATA TRANSPORT SERVICE
A30 EQUIPMENT FOR DISABLED CUSTOMERS
A31 MULTI-LOCATION BUSINESS SERVICE (MLBS)
A32 INTEGRATION PLUS* MANAGEMENT SERVICES (IPMS)
A34 ADVANCED INTELLIGENT NETWORK (AIN) SERVICES
A38 LISTING SERVICES
A39 ABBREVIATED DIALING
A40 FAST PACKET TRANSPORT SERVICES
A42 INTEGRATED SERVICES DIGITAL NETWORK (ISDN)

SECTION 4 - RATES AND CHARGES (continued)

BELLSOUTH FL - TARIFF B - PRIVATE LINE SERVICE TARIFF

B3	CHANNELS
B5	CHARGES APPLICABLE UNDER SPECIAL CONDITIONS (UNOFFICIAL)
B6	DATAPHONE® DIGITAL SERVICE
B7	DIGITAL NETWORK SERVICE

BELLSOUTH - FL TARIFF E - ACCESS SERVICES TARIFF

E3	CARRIER COMMON LINE ACCESS
E4	CARRIER ACCESS CAPACITY
E5	ORDERING OPTIONS FOR ACCESS SERVICES
E6	BELLSOUTH® SWA SERVICES
E7	DEDICATED ACCESS SERVICES
E9	BELLSOUTH® DIRECTORY ASSISTANCE ACCESS SERVICE
E10	LATA CONFIGURATIONS
E11	SPECIAL FACILITIES ROUTING OF ACCESS SERVICES
E12	SPECIALIZED SERVICE OR ARRANGEMENT
E16	ACCESS SERVICE FOR LOCAL EXCHANGE COMPANIES COMPLETION OF INTRALATA - INTERCOMPANY LONG DISTANCE MTS AND WATS CALLS
E18	BELLSOUTH® OPERATOR SERVICES ACCESS SERVICE
E20	BELLSOUTH® EXPANDED INTERCONNECTION SERVICE (EIS)
E21	FAST PACKET ACCESS SERVICE
E34	ADVANCED INTELLIGENT NETWORK (AIN) SERVICES

The Company extends this concurrence to any and all changes to BellSouth - FL - Tariff A, BellSouth - FL - Tariff B and BellSouth - FL - Tariff E which may be made on or after the effective date of this tariff.

Company hereby expressly reserves the right to cancel and make void all or part of this notice of concurrence.

SECTION 4 - RATES AND CHARGES (continued)

B. TIMING OF USAGE

Discounts for Local and IntraLATA Toll Service apply based upon the following time periods:

1. Peak Hours: 9:00am - 11:00am, 2:00pm - 8:00pm Monday through Friday

2. Shoulder Peak Hours: 8:00am - 9:00am, 11:00am - 2:00pm, 8:00pm - 9:00pm Monday through Friday.

3. Off Peak Hours: 9:00 pm - 8:00 am Monday through Friday, 9:00 am - 8:00 am Friday through Monday

4. Discounts do not apply to operator service charges at any time.

5. Chargeable time begins when connection is established between the calling station and the called station, and ends when the calling station "hangs up." If the called station "hangs up" but the calling station does not, chargeable time ends when the network connection is released by automatic timing equipment in the telephone network.

6. The discount applied to a call that begins in one rate period and ends in the next period shall be the discount for the period in which the call began.

SECTION 4 - RATES AND CHARGES (continued)

C. DISCOUNT PLANS

1. Term Discount Plan

a.

Annual Term	Percentage Discount
One year	2.5
Two year	5.0
Three year	7.5

b. The Term Discount Plan is available based on Customer election.

c. Customer must sign a non-cancelable contract for the Annual Term to qualify. Penalties for early termination are based on the average usage (where applicable) for the three months previous to termination billed at the discounted rate for the remainder of the respective term.

2. Platinum Discount Plan

a.

Percentage Discount	Annual Usage		
0-5	$ 0.00	to	$ 30,00.00
5.1-10	$ 30,001.00	to	$ 60,000.00
10.1-15	$ 60,001.00	to	$ 90,000.00
15.1-30	$ 90,001.00	to	$200,000.00
30.1-45	$200,001.00	to	$400,000.00
45.1-60		over	$400,001.00

b. Usage discounts will count toward the annual usage based on Customer election of the discount plan for each particular service. In addition, usage discounts of up to ten percent (10%) off of the Underlying Carrier's retail rates will be available.

c. To be eligible, a Customer must sign up as a Platinum Discount Plan member by signing a non-cancelable contract for the Annual Usage commitment to qualify. Penalties for early termination are based on the difference between the actual annual usage and the Annual Usage commitment. In addition,

SECTION 4 - RATES AND CHARGES (continued)

penalties for early termination are based on the Annual Usage commitment for the remainder of the respective term.

3. LD+ Term Discount Plan

a.

Annual Term	Percentage Discount
One year	2.5
Two year	5.0
Three year	7.5

b. The Term Discount Plan is available for the following services based on customer election: Infostar® LD+, Ultrastar LD+, Infostar® 800, Ultrastar 800 Dedicated and Infostar® Calling Card.

c. Customer must sign a non-cancelable contract for the Annual Term to qualify. Customer agrees that damages to Company in the event services are terminated for any reason prior to the end of the term shall be difficult if not impossible to ascertain. Customer, therefore, agrees to pay Company all charges incurred prior to termination and an early termination charge based on the average usage for the three months prior to termination billed at the discounted rate for the remainder of the respective term.

4. Platinum Discount Plan

a.

Percentage Discount	Annual Usage Commitment		
0-5	$0.00	to	$ 30,000.00
5.1-10	$30,001.00	to	$ 60,000.00
10.1-15	$60,001.00	to	$ 90,000.00
15.1-30	$90,001.00	to	$200,001.00
30.1-45	$200,000.00	to	$400,000.00
45.1-60	over $400,001		

b. Usage of the following services will count toward the annual usage: Infostar® LD+, Ultrastar LD+, Infostar® 800, Ultrastar 800 Dedicated and

SECTION 4 - RATES AND CHARGES (continued)

Infostar® Calling Card based on Customer election of the Platinum Discount Plan for each particular service.

c. To be eligible, a customer must sign up as a Platinum Discount Plan member. Customer agrees that damages to Company in the event services are terminated for any reason prior to the end of the then current annual term shall be difficult if not impossible to ascertain. Customer, therefore, agrees to pay Company all charges incurred prior to termination and an early termination charge based on the difference between the Annual Usage Commitment and Customer's actual usage.

D. INDIVIDUAL CASE BASIS ("ICB") ARRANGEMENTS

Arrangements will be developed on a case-by-case basis in response to a bona fide request from a Customer or prospective Customer to develop a competitive bid for a service offered under this tariff. Rates quoted in response to such competitive rates will be offered to the Customer in writing and on a non-discriminatory basis.

E. MISCELLANEOUS

1. Operator Service

Operator service will be provided by the LEC. The LEC's tariffed charges for operator service will be passed through to Customer.

2. Directory Assistance

Directory assistance will be provided by the LEC. The LEC's tariffed charges for directory assistance will be passed through to Customer.

EXHIBIT D

Claricom's Financial Capability

Claricom, formerly known as Clarity Telecom LD Network Services, Inc., was incorporated in the State of Delaware on May 20, 1996. On December 15, 1997, Claricom Telecom LD Network Services, Inc. formally changed its name to Claricom Networks, Inc. Claricom recently added the "d/b/a" name "Staples Communications – Networks" to its name, and the Company is now known as Claicom Networks, Inc. d/b/a Staples Communications – Networks.

Claricom, a Delaware corporation, is a privately-held, wholly-owned subsidiary of Claricom Holdings, Inc., which is also a Delaware corporation. Claricom experienced an indirect change in control earlier this year as a result of the merger of its parent corporation, Claricom Holdings, Inc, with Sigma Acquisition Corp., a newly-formed, wholly-owned subsidiary of Staples, Inc. The merger was consummated on February 26, 1999. Prior to the merger, Claricom Holdings, Inc. owned 100% of Claricom's outstanding capital stock. Pursuant to the merger agreement between the parties, Sigma Acquisition Corp. merged with and into Claricom Holdings, Inc. Claricom Holdings, Inc. was the surviving corporation of the merger. As a result of the merger, Staples, Inc. now owns in excess of 90% of the shares of Claricom Holdings, Inc. and no other shareholder of Claricom Holdings, Inc. owns in excess of 5% of the shares. Claricom remains a wholly-owned subsidiary of Claricom Holdings, Inc., and Claricom's Chief Executive Officer and President have continued in these positions post-merger.

Staples, Inc. is a publicly-traded company that operates a nationwide chain of office supply stores with annual sales in excess of five billion dollars. As the SEC Form 10-K and 10-Q reports attached hereto show, Staples, Inc.'s financial resources are considerable.

As the attached financial information demonstrates, Claricom has more than sufficient financial resources and qualifications to resell local exchange telecommunications services within the State of Florida.

Claricom hereby identifies the information produced in response to Application Question Number 16, which reports Claricom's financial information for the most recent three years, as highly sensitive confidential information. Claricom has requested that the Commission treat this information, which Claricom considers highly proprietary and competitively sensitive, as confidential.

Staples, Inc.'s SEC Form 10-K and Form 10-Q reports, which are public and non-proprietary, follow this page.

STAPLES, INC.
SEC FORM 10-K REPORT

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CENTRAL INDEX KEY: 0000791519
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STATE OF INCORPORATION: DE
FISCAL YEAR END: 0127

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STREET 2: P O BOX 9328
CITY: WESTBOROUGH
STATE: MA
ZIP: 01581
BUSINESS PHONE: 5083708500
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FORM 10-K

Securities and Exchange Commission
Washington, D.C. 20549

[X] Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

or

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

For the fiscal year ended January 30, 1999	Commission File Number 0-17586

STAPLES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	04-2896127
(State of Incorporation)	(I.R.S. Employer Identification No.)

ONE RESEARCH DRIVE, WESTBOROUGH, MASSACHUSETTS 01581
(Address of principal executive offices and zip code)

508-370-8500
(Registrant's telephone number, including area code)

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

None

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

Common Stock, par value $0.0006 per share
(Title of each class)

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.

[X] Yes [ ] No

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

[ ]

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The aggregate market value of the voting stock held by non-affiliates of the registrant, based on the last sale price of the Common Stock on February 28, 1999 as reported by Nasdaq, was approximately $13.4 billion. In determining the market value of non-affiliate voting stock, shares of Common Stock beneficially owned by each executive officer and director have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The registrant had 463,881,546 shares of Common Stock outstanding as of February 28, 1999.

Documents Incorporated By Reference

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

Portions of the Proxy Statement for the 1999 Annual Meeting of Stockholders	Part III

This Annual Report on Form 10-K contains a number of forward-looking statements. Any statements contained herein (including without limitation statements to the effect that Staples or its management "believes", "expects", "anticipates", "plans" and similar expressions) that are not statements of historical fact should be considered forward-looking statements. There are a number of important factors that could cause Staples' actual results to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Future Operating Results."

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PART I

ITEM 1. BUSINESS

Staples, Inc. and subsidiaries ("Staples" or "the Company") pioneered the office products superstore concept and is a leading office products distributor with a total of 913 retail stores located in the United States, Canada, the United Kingdom and Germany as of January 30, 1999, in addition to a catalog business, electronic commerce and contract stationer operations. Staples' executive offices are located at 500 Staples Drive, Framingham, Massachusetts 01702 (telephone: (508) 253-5000). Staples was organized in November 1985 and is incorporated in the State of Delaware.

BUSINESS STRATEGY

Staples views the office products market as a large diversified market for office supplies and equipment, business machines and computers, and various business services. Although there are no clear demarcations among segments, Staples targets four principal end-user groups: consumers and home offices; small businesses and organizations with fewer than 50 office workers; medium-size businesses and organizations with more than 50 office workers; and large businesses with more than 1,000 office workers. Staples' ability to address all four major end-user groups increases and diversifies its available market opportunities, increases awareness of the Staples name among customers in all four end-user groups (who often shop across distribution channels) and allows Staples to enjoy a number of important economies of scale. These include increased buying power, enhanced efficiencies in distribution and advertising, and improved capacity to leverage certain general and administrative functions.

Staples effectively reaches different sectors of the office products market through different channels of distribution designed to be convenient to each targeted market sector. Specifically, in-store operations seek to address the retail needs of customers, while Staples' delivery operations focus on customers who desire delivery of their office products and other specialized services.

NORTH AMERICAN SUPERSTORES

Staples' North American retail operations, consisting of 840 stores as of January 30, 1999, are the core business of the Company, generating a substantial majority of its sales and profits. Staples' retail operations focus on serving the needs of customers primarily in the consumer, home office and small business segments of the office products market.

Superstores. Staples' North American superstores are located in 37 states, the District of Columbia and ten Canadian provinces in both major metropolitan markets and smaller outlying markets. Staples' current superstore prototype is approximately 24,000 square feet. Staples' strategy for its North American superstores focuses on four key objectives: (i) providing superior customer value through a combination of broad product selection, everyday low prices, outstanding customer service and convenient locations; (ii) increasing Staples' presence in targeted markets by adding new superstores and achieving economies of scale in most of the major markets where it competes; (iii) reducing operating costs to the lowest level consistent with providing quality merchandise and service; and (iv) offering a comfortable, easy to shop store environment with skilled sales associates available to assist the customer.

Express Stores. In select urban markets, Staples operates a smaller store format, "Staples Express", which offers a more focused assortment of products. These smaller stores give Staples the opportunity to meet the office supply needs of customers in a store format that is efficient and economical in an urban environment. Staples Express stores range from approximately 6,000 to 10,000 square feet.

DELIVERY OPERATIONS

Staples' delivery operations are comprised of three principal operations: Staples' catalog businesses, operating under the names "Staples Direct" and "Quill Corporation", Staples' contract stationer businesses, operating under the names "Staples National Advantage" and "Staples Business Advantage," and Staples' internet electronic commerce business operating under the name "Staples.com".

Staples Direct. Operating since 1990, Staples Direct, Staples' direct mail catalog business, reaches all targeted segments of the office products market seeking the convenience of telephone ordering and free next day delivery for orders over $50. Delivery orders are shipped from Staples' delivery distribution centers and are distributed through dedicated delivery hubs. In some markets, Staples also delivers products directly from its retail stores. The Company markets Staples Direct through both direct mail catalogs and a sales force primarily focused on generating new accounts. The Company also has Staples Direct catalog operations in Canada, the United Kingdom and Germany.

Quill Corporation. Acquired in May 1998, Quill is a direct mail catalog business with a targeted approach to servicing the business product needs of more than 700,000 medium sized businesses in the United States. Quill markets primarily through the distribution of catalogs designed to meet the needs of specific customer segments. The business offers outstanding customer service, a superior private label product, and special services to attract and retain its customers.

Staples National Advantage and Staples Business Advantage. Staples' contract stationer operations focus primarily on serving the needs of medium- to large-size businesses that sometimes may seek more services than are provided by a traditional retail or mail order business, such as customized pricing, payment terms, usage reporting and the stocking of certain proprietary items. Staples' contract stationer business is divided into two segments. Staples National Advantage is a nationwide contract stationer business focused on selling to large multi-regional businesses. Staples Business Advantage focuses on selling to medium- and large-size regional companies and has the flexibility to handle smaller accounts. Staples initially established this business through acquisitions of regional contract stationers, and more recently has entered certain metropolitan markets through the expanded sales and distribution capabilities of Staples Business Advantage.

Staples.com. Launched in November 1998, Staples' internet operation markets over 6,000 products through its web-based superstore and offers free delivery for orders over $50. Staples leverages existing resources wherever possible such as offline advertising, call centers, distribution centers and delivery hubs. On line marketing for Staples.com is currently done primarily through major relationships with leading internet properties. Staples.com has many innovative features and functionality which will allow Staples to better service existing customers as well as attract a large number of new customers.

INTERNATIONAL

Staples believes that foreign markets will provide additional growth opportunities. In 1991, Staples established its first international joint venture, "Business Depot", in Canada. Business Depot became a wholly owned subsidiary of Staples in 1994 and operates 131 stores as part of Staples' North American superstores and delivery operations. Staples was also a partner in two overseas office products superstore joint ventures operating in the United Kingdom under the name "Staples UK" and in Germany under the name "Staples Der Buro Megamarkt" ("Staples Germany"). In May 1997, Staples increased its ownership interest in the Staples UK operations to 100% and in Staples Germany to approximately 92%. In December 1998, Staples increased its ownership interest in Staples Germany to 100%. As of January 30, 1999, Staples UK

operated 48 stores and Staples Germany operated 25 stores with delivery operations in both countries. Staples plans to expand the operations of Quill into Europe during the first quarter of 1999.

STRATEGIC INITIATIVES

Staples is focusing on numerous strategic priorities, with the objective of enhancing its position as a leading office products supplier.

Profitably Increase Retail Sales Per Store. Staples is devoting significant resources and efforts to profitably increase its retail sales per store in both North America and Europe. Initiatives in this regard include: expanding product selection across all key product categories; enhancing business services; improving in-stock positions in Europe; improving customer service; increasing staffing levels and personnel training; expanding store size; and improving shopability and signage. Another key element of this strategy is Staples' ongoing store remodeling program and new store opening programs. In addition, during 1998 Staples committed to a plan to close and relocate stores which cannot be expanded and updated in order to improve customers shopability and improve market share.

Continue Rapid Growth in Staples Delivery Operations. Staples is implementing a number of actions to profitably grow its delivery business. These actions include: broadening the product offerings available for delivery; offering specialized, more focused marketing; expanding the distribution areas of catalogs; providing open account invoicing to large accounts; and increasing its multi-channel distribution capacity. The Company believes that Staples delivery operations are also benefiting from the increased marketing and advertising undertaken in connection with its store sales growth strategy. Staples also plans to focus on the electronic commerce market through Staples.com and grow that business during fiscal 1999.

Continue Store Growth and Strengthen Infrastructure. Staples is continuing its store growth program. In fiscal year 1998, Staples opened 158 new stores in North America and 16 new stores in Europe. In fiscal 1999, Staples intends to open approximately 150 stores in North America and 20 stores in Europe. Staples' store growth strategy follows a three-pronged approach: continuing the growth of its store network in existing markets; entering smaller markets, within both existing and new geographic areas; and entering major new markets. Staples believes that its centralized distribution strategy facilitates its aggressive store growth by enabling the Company to operate smaller stores than would otherwise be required, thus reducing the cost of both opening and operating new stores, while providing the same or better product selection as a larger, competitive store. To support this commitment, Staples is taking steps to strengthen its infrastructure, including its distribution capabilities.

Improve Productivity. Staples maintains its historical focus on being a low cost operator and believes that it has significant opportunities to reduce costs as a percentage of sales. Staples believes that its future expansion will enable it to leverage certain fixed costs in store operations, marketing, distribution and administration. Staples also seeks to enhance productivity through improvements in operating practices.

Improve Customer Service. Staples has increased staffing levels in stores and delivery operations and made other investments to provide better customer service. Staples continues to drive a corporate-wide CARE program designed to empower associates to exceed customer expectations for service by providing "great service, every day, every way". Staples also focuses on its "mystery shopper program" in which outside representatives evaluate customer service multiple times per year and has tied a portion of incentive compensation to achievement of customer satisfaction goals.

PRODUCTS AND PURCHASING

PRODUCTS

Staples tailors its product mix to meet the needs of its customers by regularly evaluating sales and profit performance for each of its SKUs. In order to minimize unit costs and selling prices, Staples sells most products in multi-unit packages. The lot sizes are designed to be large enough to be cost effective without being burdensome to Staples' small business customers.

Staples guarantees low prices to its customers and will not only match competitive prices but will also pay 55% of the price difference (up to $55) as a credit towards future purchases. Staples continuously compares its pricing against other discount office supply stores, local stationers, nearby warehouse clubs, mass merchants, computer superstores, consumer electronics retailers, electronic commerce distributors and mail order stationers to ensure that the strategy of maintaining everyday low prices is achieved.

Staples offers its customers an array of services. Customers may place orders by telephone for delivery or for customer pickup or via an internet service. Customers may pay with MasterCard, Visa, American Express, Discover, or Staples private label credit card, in addition to check or cash. Staples also offers customers an option to lease business machines and computers through a third party lessor with varying terms. Staples offers high-speed and self-service copying, overnight mailing, faxing and other print services for its customers. Staples' return policy entitles customers to return all goods, except computers, business machines, printers and software, in original packaging within 30 days after the date of sale for a full refund; computers, business machines and printers must be returned in original packaging within 14 days to obtain a full refund. Software packages must be unopened to obtain a full refund within 30 days; open packages will be exchanged only for the same title.

Staples' delivery operations carries many of the same products that are sold in retail stores. The contract stationer catalog typically offers products with unique pricing, billing and other services available to each customer.

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

<TABLE>
<CAPTION>

		Fiscal Year Ended	
	January 30, 1999	January 31, 1998	F
<S>	<C>	<C>	
Office supplies, services and other supplies	45.9%	48.6%	
Equipment and business machines	23.7	22.0	
Computers and related products	22.2	20.9	
Office furniture	8.2	8.5	

</TABLE>

PURCHASING AND VENDOR SELECTION

Staples selects its vendors based upon quality, price, delivery reliability and, where appropriate, customer brand recognition. Staples believes it is able to pursue this purchasing strategy with great effectiveness and at very attractive costs in large part because of its centralized distribution facilities. Staples can purchase truckload quantities of attractively priced, high-quality products from multiple vendors and thereby achieve substantial cost savings in each product category.

Staples offers several hundred private label items including copy paper, staplers, envelopes, mailing and shipping supplies, a variety of fastening supplies, chairs, computer accessories, calculators and diskettes. Through its global product sourcing program, Staples is able to procure private label products at lower cost than brand name products.

Currently, Staples purchases products from several hundred active vendors worldwide. The Company believes that competitive sources of supply are available for substantially all products it carries. Staples' buying and merchandising staff centrally performs all product purchasing and merchandise planning for stores and mail order with the assistance of integrated computer systems.

SUPPLY CHAIN INITIATIVES

Staples operates centrally located distribution centers on the East and West coasts to service the majority of its replenishment and delivery requirements for its U.S. retail, catalog and electronic commerce operations. Staples' delivery operations also use distribution centers that fulfill the unique needs of those customers. Most products are shipped from Staples' suppliers to the distribution centers for reshipment to Staples stores and delivery hubs, or are directly shipped to customers. The distribution centers employ state of the art warehouse management systems and radio frequency technology, just-in-time replenishment procedures and material handling equipment that help to minimize overall Company inventory levels while maintaining optimal in-stock positions at the store level. Product processing and ticketing are performed at the distribution center to improve labor efficiency and reduce cost. Products generally are delivered to Staples stores within 48 hours after Staples' automated replenishment system generates an order for the product based on daily point of sale information.

Staples believes its distribution centers provide it with significant labor, merchandise and inventory shrinkage savings by centralizing receiving and handling functions and by enabling the Company to purchase in full truckloads from suppliers. Staples believes that the reduction in the number of purchase orders and invoices processed results in significant administrative cost savings. Staples' centralized purchasing and distribution systems also permit store employees to spend more time on customer service and store presentation.

Since the distribution centers maintain backup inventory, in-store inventory requirements are reduced and Staples operates smaller gross square footage stores than would otherwise be required. Smaller store size reduces Staples' rental costs in the expensive markets in which it currently operates and allows the Company improved flexibility in locating stores more closely to its target customers.

Staples continues to enhance its distribution network to support its operations. Staples recently opened two new distribution centers: Hagerstown, Maryland (840,000 sq. ft.) in March 1997 and Killingly, Connecticut (310,000 sq. ft.) in January, 1998. In addition, Staples expects to open a 520,000 sq. ft. facility in Rialto, California and a 550,000 sq. ft. facility in Terre Haute, Indiana in 1999. These four new facilities are expected to replace a network of approximately 11 distribution centers formerly used to support U.S. retail operations.

In late 1998, Staples retrofitted the former retail Putnam/Plainfield, Connecticut distribution center (380,000 sq. ft.) to support all three channels of its contract and catalog division. In 1999, Staples will open distribution centers in two new markets, Stockton, California and Charlotte, North Carolina, to further support the contract and catalog division.

MARKETING STRATEGY

Staples pursues a variety of marketing strategies to attract and retain target customers. These strategies include broad-based media advertising such as radio, television, newspaper circulars, internet and print advertising as well as catalogs and a sophisticated direct marketing system. In addition, Staples markets to larger companies through a combination of direct mail catalogs, customized catalogs and a field sales force. Staples changes its level of marketing spending as well as the mix of media employed depending upon market, competitive and cost factors. This flexible approach allows Staples to optimize the effectiveness and efficiency of its marketing expenditures.

In 1998, Staples continued to invest in its nationally recognized television campaign and began to supplement its spot television schedule with network ads. This television advertising is designed to raise awareness of Staples and penetration levels for both the household and business customer segments across the country. In addition, Staples expanded its print advertising campaign in order to support key product categories. In 1997, Staples also entered into a naming rights agreement with L.A. Arena Company, LLC, which is designing a new state of the art sports and entertainment complex in downtown Los Angeles. This agreement provides Staples with marketing, promotional and signage rights, community-based programs and various amenities in the Staples

Center for 20 years and is expected to be opened during 1999.

STORE OPERATIONS AND TRAINING

STORE OPERATIONS

Staples strives to be the lowest cost operator of office products stores servicing its targeted customers. Staples seeks to create stores that appeal to its target customers for their broad selection, everyday low prices, convenience, shopability and helpful service. Staples' stores typically are open seven days per week.

Staples retail stores display inventory according to a plan-o-gram that designates graphically the place each item in each section of the store is displayed and specifies the quantity to be stocked. Related items are typically grouped together for customer convenience. Store layouts are as uniform as the various facilities allow, so that products destined for stores can be picked at the distribution center to match store aisles.

Staples' computer systems replenish inventory levels for each SKU by store based on its rate of sale and variability in rate of sale. Sales and inventory levels are tracked by SKU at each store through Staples' point-of-sale system and are transmitted nightly to the Company's host computer. Reorders from the distribution center are processed so that inventory arrives at Staples stores as needed.

Stores are brightly lit and products are attractively displayed. Employees are available to consult on purchases, particularly in Staples' furniture, business machines and computer sections, where customers often need assistance in decision-making. Staples is continuing to roll out the new store layout first designed in 1997 to all new and remodeled stores. This positions Staples to offer our customers more technology solutions such as Build to Order computers as well as computer upgrades and services through the Staples Tech Center. Also included are enhanced product assortments in furniture, paper and technical office supplies. In the services category, the Concept 97 design promotes the Staples Copy Center with enhanced services and, where market conditions warrant, expanded copy centers. Staples' current superstore prototype is approximately 24,000 square feet, which allows for enhanced business services, product depth and capital goods sales. Where possible, Staples has expanded existing stores to fit the new

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format. Staples committed to a plan during 1998 to close and relocate stores that are not deemed appropriate for expansion or upgrade to the Concept 97 design.

Staples has continued to make an investment in computer-based, multi-media training programs to upgrade staff selling skills and improve customer service at its retail stores and delivery operations. Much of the training targets sales of capital goods such as fax machines, copiers, furniture and computers. Additionally, Staples continues to increase its efforts to improve its in-stock position as well as expand the product depth in certain key categories in order to best serve its customers.

ASSOCIATES AND ASSOCIATE TRAINING

Staples places great importance on recruiting, training and providing the proper incentives for quality store level personnel. This includes building its store management organization from within. Staples recruits actively on college campuses and also hires talented individuals with experience in successful retail operations. Additionally, current associates are rewarded for recruiting new associates. Staples' store managers are trained in the Company's management development program.

Staples considers customer relations and its associates' knowledge of office products and office-related capital goods to be significant to its marketing approach and its ability to maintain customer satisfaction. New management trainees advance through the store management structure by taking on assignments in different areas as they are promoted. Store and telemarketing employees prepare for new assignments by studying training modules, including written manuals, video instruction and self-testing, that are prepared by Staples and others. These associates are trained in a number of areas, including, where appropriate, sales techniques, management techniques and product knowledge.

Staples offers eligible associates the opportunity to acquire equity in the Company through an employee stock purchase plan, and also grants stock options and restricted stock to certain of its associates as an incentive to attract and retain such associates.

As of January 30, 1999, Staples employed 21,580 full-time and 21,428 part-time employees.

EXPANSION STRATEGY

Staples' expansion strategy involves the establishment of a strong market position by increasing its presence in targeted metropolitan markets by operating a full network of stores and entering small markets and focusing growth in those markets where products can be cost effectively replenished through its distribution centers. Staples believes that a network of stores in a metropolitan market enhances profitability by leveraging marketing costs, distribution expense and supervision costs.

Staples currently plans to open approximately 150 stores in North America and approximately 20 stores in the UK and Germany in fiscal 1999. Staples' growth strategy calls for continuing to increase its presence along both the East and West coasts of the United States as well as portions of the

Southeast and Midwest regions. Additionally, Staples plans to expand into one or more major new markets per year as well as numerous smaller markets.

In determining where to open new stores, Staples evaluates the concentration of small- and medium-sized businesses and organizations, the number of home offices, household income levels, the availability of quality real estate locations, competitive factors and other factors. While most of its stores have been located in conventional strip shopping centers, Staples has also successfully converted non-retail properties to Staples stores. Although Staples often leases second-use properties, it has also entered

into ground leases where it plans to build a store or arranged to have landlords construct free-standing buildings to its specifications. In addition, Staples has on numerous occasions acquired lease rights from prior tenants. Staples believes that this flexibility in selecting sites proves helpful as it seeks to locate additional stores in the challenging real estate markets in which it operates.

Staples plans to expand its internet operation, Staples.com, during fiscal 1999 by dedicating additional investments in personnel, technology and marketing. Staples recognizes the long-term potential of electronic commerce and plans to aggressively address this market.

COMPETITION

Staples competes with a variety of retailers, dealers and distributors in the highly competitive office products market. Staples believes its customers choose among suppliers on the basis of price, breadth of selection, service and convenience.

Staples' target customers have historically been serviced by traditional office products dealers. Staples believes it has competed favorably against these dealers in the past because it generally offers lower prices. In addition, Staples believes that its broad product line, depth of in-stock inventory and extended store hours offer it competitive advantages. Recently, however, some traditional office product dealers have lowered prices and increased their service levels to become more competitive with discount retailers.

Staples also competes in most of its geographic markets with other high-volume office supply chains that are similar in concept to Staples in terms of store format, pricing strategy, and product selection, including Office Depot, OfficeMax, and Office World as well as mass merchants, such as Wal-Mart, warehouse clubs, computer and electronics superstores, and other discount retailers. In addition, Staples' retail stores, as well as its delivery operations business, compete with numerous mail order firms, contract stationer businesses, electronic commerce distributors and direct manufacturers. Such competitors have increased their presence in Staples' markets in recent years. Some of Staples' current and potential competitors in the office products industry are larger than the Staples and have substantially greater financial resources. No assurance can be given that such increased competition will not have an adverse effect on Staples' business.

TRADEMARKS

The Company has registered the marks "Staples" and "Staples- The Office Superstore" on the Principal Register of the United States Patent and Trademark Office and the mark "Staples" in Canada, the United Kingdom and Germany.

ITEM 2. PROPERTIES

As of January 30, 1999 Staples operated 913 superstores in 37 states, the District of Columbia, 10 provinces in Canada, 9 regions in the United Kingdom and 6 states in Germany. Staples also operates 68 distribution centers. The following table sets forth the locations of Staples' facilities as of January 30, 1999.

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<TABLE>
<CAPTION>

STATE/PROVINCE/REGION	NUMBER	STATE/PROVINCE/REGION
UNITED STATES	OF STORES	UNITED KINGDOM
<S>	<C>	<C>
Arizona	20	South West
California	124	South East
Connecticut	29	London
Delaware	4	Wales
Florida	22	East Anglia
Georgia	1	Midlands
Idaho	7	North West
Iowa	11	North East
Illinois	17	North
Indiana	13	
Kansas	4	GERMANY
Kentucky	6	
Maine	7	Hamburg
Maryland	27	Schleswig-Holstein
Massachusetts	36	Niedersachsen

Michigan	29
Missouri	1
Montana	5
Nebraska	1
New Hampshire	12
New Jersey	57
New Mexico	1
New York	75
North Carolina	13
Ohio	43
Oklahoma	4
Oregon	12
Pennsylvania	55
Rhode Island	2
South Carolina	11
Tennessee	6
Utah	8
Vermont	4
Virginia	25
Washington	5
Washington DC	2
West Virginia	5
Wisconsin	5
CANADA	
Alberta	17
British Columbia	16
Manitoba	4
New Brunswick	4
Newfoundland	2
Nova Scotia	4
Ontario	54
Quebec	27
Saskatchewan	2
Prince Edward Island	1

Bremen
Nordrhein-Westpfalen
Hessen

STATE/PROVINCE/REGION	DISTR
UNITED STATES	
Alabama	
California	
Colorado	
Connecticut	
Florida	
Georgia	
Illinois	
Maryland	
Massachusetts	
Michigan	
New Jersey	
New York	
North Carolina	
Ohio	
Oregon	
Pennsylvania	
Tennessee	
Texas	
Washington	
CANADA	
Ontario	
UNITED KINGDOM	
Pensnett	
GERMANY	
Schleswig-Holstein	

</TABLE>

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Most of the existing stores are leased by Staples with initial lease terms expiring between 1999 and 2024. In most instances, the Company has renewal options at increased rents. Leases for 176 of the existing stores provide for contingent rent based upon sales.

ITEM 3. LEGAL PROCEEDINGS

Staples is not party to any material legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Staples held a Special Meeting of Stockholders (the "Special Meeting") on January 21, 1999. At the Special Meeting, the following actions were taken:

1. The stockholders approved an amendment to the Company's Restated Certificate of Incorporation increasing the number of authorized shares of Common Stock from 500,000,000 to 1,000,000,000 shares by a vote of 255,147,547 shares of Common Stock "for", 2,724,931 shares of Common Stock "against" and 837,779 shares of Common Stock not voting.

2. The stockholders approved the amendment and restatement of the Company's 1990 Director Stock Option Plan by a vote of 204,362,522 shares of Common Stock "for", 53,121,609 shares of Common Stock "against" and 1,226,126 shares of Common Stock not voting.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Staples' Common Stock is traded on the Nasdaq National Market under the symbol "SPLS".

At January 30, 1999, the number of holders of record of Staples' Common Stock was 9,165.

The following table sets forth for the periods indicated the high and low sale prices per share of the Common Stock on the Nasdaq National Market, as reported by Nasdaq, retroactively adjusted for the three-for-two stock splits in January, 1999 and 1998.

<TABLE>
<CAPTION>

FISCAL YEAR ENDED JANUARY 30, 1999	HIGH	LOW
<S>	<C>	<C>
First Quarter	$17.13	$12.25
Second Quarter	22.83	15.67
Third Quarter	23.42	17.00

Fourth Quarter	32.50	21.13

</TABLE>

<TABLE>
<CAPTION>
FISCAL YEAR ENDED JANUARY 31, 1998

<S>	<C>	<C>
First Quarter	$11.72	$7.83
Second Quarter	11.67	8.55
Third Quarter	13.00	10.22
Fourth Quarter	13.39	10.59

</TABLE>

Staples has never paid a cash dividend on its Common Stock. Staples presently intends to retain earnings for use in the operation and expansion of its business and, therefore, does not anticipate paying any cash dividends in the foreseeable future. In addition, Staples' revolving credit agreement restricts the payment of dividends.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is attached as APPENDIX A.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is attached as APPENDIX C.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

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PART III

The information required by Part III is omitted from this Annual Report on Form 10-K, and incorporated herein by reference to the definitive proxy statement with respect to the 1999 Annual Meeting of Stockholders (the "Proxy Statement") which Staples will file with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Report.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item will appear under the headings "Election of Directors" and "Directors and Executive Officers of Staples" in the Company's Proxy Statement, which sections are incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will appear under the heading "Directors and Executive Officers of Staples - Executive Compensation" in the Company's Proxy Statement, which section is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item will appear under the heading "Beneficial Ownership of Common Stock" in the Company's Proxy Statement, which section is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item will appear under the heading "Directors and Executive Officers of Staples - Executive Compensation" in the Company's Proxy Statement, which sections are incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Index to Consolidated Financial Statements.

1. FINANCIAL STATEMENTS. The following financial statements and schedules of Staples, Inc. are included as APPENDIX C of this Report:

Consolidated Balance Sheets - January 30, 1999 and January 31, 1998.

Consolidated Statements of Income - Fiscal years ended January 30, 1999, January 31, 1998, and February 1, 1997.
Consolidated Statements of Stockholders' Equity - Fiscal years ended January 30, 1999, January 31, 1998, and February 1, 1997.
Consolidated Statements of Cash Flows - Fiscal years ended January 30, 1999, January 31, 1998, and February 1, 1997.
Notes to Consolidated Financial Statements.

2. FINANCIAL STATEMENT SCHEDULES

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

3. EXHIBITS. The exhibits which are filed with this report or which are incorporated herein by reference are set forth in the Exhibit Index on page E-1.

(b) Reports on Form 8-K.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on April 1, 1999.

Staples, Inc.

By: /s/ Thomas G. Stemberg

Thomas G. Stemberg, Chairman
of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated above.

SIGNATURE	CAPACITY
/s/ Thomas G. Stemberg Thomas G. Stemberg	Chairman of the Board and Chief Executive Officer (Principal Executive Officer) and Director
/s/ Basil L. Anderson Basil L. Anderson	Director
/s/ Mary Elizabeth Burton Mary Elizabeth Burton	Director
/s/ W. Lawrence Heisey W. Lawrence Heisey	Director
/s/ George J. Mitchell George J. Mitchell	Director
/s/ James L. Moody, Jr. James L. Moody, Jr.	Director
/s/ Rowland T. Moriarty Rowland T. Moriarty	Director
/s/ Robert C. Nakasone Robert C. Nakasone	Director

SIGNATURES - CONT'D

SIGNATURE	CAPACITY
/s/ W. Mitt Romney W. Mitt Romney	Director
/s/ Martin Trust Martin Trust	Director
/s/ Paul F. Walsh Paul F. Walsh	Director
/s/ Margaret C. Whitman Margaret C. Whitman	Director
/s/ John J. Mahoney John J. Mahoney	Executive Vice President, Chief Administrative Officer and Chief Financial Officer (Principal Financial Officer)
/s/ Robert K. Mayerson Robert K. Mayerson	Senior Vice President and Corporate Controller (Principal Accounting Officer)

APPENDIX A

FINANCIAL HIGHLIGHTS (1)

(Dollar Amounts in thousands, Except Per Share Amounts)

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED			
	JANUARY 30, 1999 (2) (52 WEEKS)	JANUARY 31, 1998 (3) (52 WEEKS)	FEBRUARY 1, 1997 (52 WEEKS)	FEBRUARY 1996 (53 WEEKS
STATEMENT OF INCOME DATA:				
<S>	<C>	<C>	<C>	<C>
Sales	$7,123,189	$5,732,145	$4,493,589	$3,565,235
Gross profit	1,757,387	1,378,984	1,083,326	826,639
Net income	185,370	167,914	144,742	108,428
Pro forma net income (5)	183,556	153,128	129,413	94,539
Historical basic earnings per share (6)	0.43	0.41	0.36	0.28
Historical diluted earnings per share (6)	0.41	0.39	0.35	0.27
Pro forma basic earnings per share (5)(6)	0.43	0.38	0.32	0.24
Pro forma diluted earnings per share (5)(6)	0.41	0.36	0.31	0.23
Dividends	--	--	--	--
SELECTED OPERATING DATA (AT PERIOD END):				
Stores open	913	742	557	443
BALANCE SHEET DATA:				
Working capital	$ 798,768	$ 803,660	$ 623,835	$ 580,244
Total assets	3,179,266	2,638,862	1,955,636	1,552,199
Total long-term debt, less current portion	205,015	518,959	402,985	351,508
Stockholders' equity	1,656,886	1,094,485	875,823	712,141

</TABLE>

(1) On May 21, 1998, February 23, 1994 and March 7, 1994, the Company acquired Quill Corporation ("Quill"), National Office Supply Company, Inc. ("National"), and Spectrum Office Products, Inc. ("Spectrum"), respectively. These transactions have been accounted for using the pooling of interests method. As a result, the financial information shown above has been restated to include the accounts and results of operations of Quill, National and Spectrum, for all periods presented. Also, all share numbers and earnings per share data have been restated to give retroactive effect to the three-for-two splits of the Company's common stock effected in January 1999, January 1998, March 1996, July 1995, and October 1994. See Note F of Notes to Consolidated Financial Statements.

(2) Results of operations for this period include a $41,000,000 charge relating to costs incurred in connection with the merger with Quill and a $49,706,000 charge relating to store closure costs.

(3) Results of operations for this period include a $29,665,000 charge relating to costs incurred in connection with the proposed merger with Office Depot,

Inc.

(4) Results of operations for this period include a $2,150,000 charge relating to professional fees incurred for contract stationer acquisitions and a $1,149,000 gain on the sale of the Company's investment in a contract stationer.

(5) Pro forma net income includes a provision for income taxes on the previously untaxed earnings of Quill, which had been an S Corporation prior to its acquisition by the Company.

(6) Earnings per common share have been restated to reflect 3 for 2 stock splits effective January 1999, January 1998, March 1996, July 1995 and October 1994.

The Company's fiscal year is the 52 or 53 weeks ending the Saturday closest to January 31 of the following calendar year.

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ITEM 7. APPENDIX B

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

COMPARISON OF FISCAL YEARS ENDED JANUARY 30, 1999, JANUARY 31, 1998, AND FEBRUARY 1, 1997

GENERAL. During the fiscal year ended January 30, 1999, Staples acquired, in a pooling of interests transaction, Quill Corporation and certain related entities (collectively referred to as "Quill") with 1997 net sales of approximately $551 million. The financial information set forth below includes adjustments to give effect to the acquisition of Quill for all periods presented. Prior to its acquisition by Staples, Quill elected to be treated as an S Corporation under the Internal Revenue Code, and accordingly, its earnings were not subject to taxation at the corporate level. Pro forma adjustments have been made to reflect a provision for income taxes on such previously untaxed earnings for each period presented at an assumed rate of 40%. The statements of income combine Staples' historical operating results for the fiscal years ended January 31, 1998 and February 1, 1997 with corresponding Quill operating results for the years ended December 31, 1997 and 1996.

SALES. Sales increased 24% to $7,123,189,000 in the fiscal year ended January 30, 1999 from $5,732,145,000 in the fiscal year ended January 31, 1998.

Sales increased 28% in the fiscal year ended January 31, 1998 from $4,493,589,000 in the fiscal year ended February 1, 1997. The growth in each year was attributable to an increase in the number of open stores, increased sales in existing stores and increased sales in delivery operations. In addition, sales for the fiscal years ended January 30, 1999 and January 31, 1998 (beginning in May 1997) include the consolidation of Staples UK and Staples (Deutschland) GmbH ("Staples Germany", formerly MAXI-Papier-Markt-GmbH). Comparable store and delivery sales for the fiscal year ended January 30, 1999 increased 11% over the fiscal year ended January 31, 1998. Comparable store and delivery hub sales for the year ended January 31, 1998 increased 10% over the year ended February 1, 1997. As of January 30, 1999, January 31, 1998, and February 1, 1997, Staples had 913, 742, and 557 open stores, respectively. The January 30, 1999 total includes 174 stores opened and 3 stores closed during the twelve months ended January 30, 1999.

GROSS PROFIT. Gross profit as a percentage of sales was 24.7%, 24.1%, and 24.1% for the fiscal years ended January 30, 1999, January 31, 1998, and February 1, 1997, respectively. The gross profit rate was increased by continually improving margins in the retail and delivery business segments due to lower product costs from vendors and increased buying as well as the leveraging of fixed distribution center and delivery costs over a larger sales base. This was offset by decreases in the margin rates due to price reductions as well as an increase in the sales of computer hardware (CPUs and laptops), which generate a lower margin rate than other categories, to 7.6% of total sales for the year ended January 30, 1999 from 7.4% in the year ended January 31, 1998 and 6.0% in the year ended February 1, 1997.

OPERATING AND SELLING EXPENSES. Operating and selling expenses, which consist of payroll, advertising and other operating expenses, were 14.4%, 14.5%, and 14.5% of sales for the fiscal years ended January 30, 1999, January 31, 1998, and February 1, 1997, respectively. The decrease as a percentage of sales for the year ended January 30, 1999 was primarily due to decreased advertising as a

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percentage of sales and increased leveraging of fixed store payroll expenses and store operating costs as store sales have increased. These factors were partially offset by increases in store labor and costs incurred for Staples' store remodel program in which significant investments have been made in store layouts and signing to improve shopability and enhance customer service. In addition, operating and selling expenses for the year ended January 30, 1999 and the year ended January 31, 1998 (beginning in May 1997) include the results of Staples UK and Staples Germany, which have higher costs as a percentage of sales.

PRE-OPENING EXPENSES. Pre-opening expenses relating to new store openings, consisting primarily of salaries, supplies, marketing and occupancy costs, are expensed by Staples as incurred and therefore fluctuate from period to period depending on the timing and number of new store openings. Pre-opening expenses averaged $80,000, $73,000, and $72,000 per store for the stores opened in the years ended January 30, 1999, January 31, 1998, and February 1, 1997, respectively. The increase during the fiscal year ended January 30, 1999 was due primarily to increased openings outside of the United States which generally involve higher pre-opening expenses per store.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses as a percentage of sales were 4.2%, 3.9%, and 3.9% in the years ended January 30, 1999, January 31, 1998, and February 1, 1997, respectively. The increase as a percentage of sales for the year ended January 30, 1999 as compared to the years ended January 31, 1998 and February 1, 1997 was primarily due to costs incurred for Year 2000 compliance projects. In addition, Staples has made other investments in its information systems' ("IS") staffing and infrastructure, which Staples believes will reduce costs as a percentage of sales in future years. In addition, general and administrative expenses for the years ended January 30, 1999 and January 31, 1998 include the results of Staples UK and Staples Germany, which have higher costs as a percentage of sales. The overall increase in general and administrative costs were partially offset by Staples' ability to increase sales without proportionately increasing overhead expenses in its core retail and direct business.

MERGER-RELATED AND INTEGRATION COSTS. In connection with the acquisition of Quill, Staples recorded a charge to operating expense of $41,000,000 during the year ended January 30, 1999. These costs consist of direct merger-related and integration costs from the transaction. The merger transaction costs of approximately $10,500,000 consist primarily of fees for investment bankers, attorneys, accountants and other related charges. The integration costs primarily include employee costs of approximately $7,000,000, contract and lease termination costs of approximately $14,100,000, the write-down of leasehold improvements of approximately $3,500,000 and other merger-related costs of approximately $5,900,000. Staples paid approximately $14,000,000 in fiscal year 1998, which consists primarily of transaction and employee related costs. During the year ended January 31, 1998, Staples charged to expense non-recurring costs in connection with the proposed merger with Office Depot, Inc. of $29,665,000.

STORE CLOSURE CHARGE. In December 1998, Staples committed to a plan to close and relocate stores which cannot be expanded and upgraded to the Company's "Concept 97" model. In connection with this plan, Staples recorded a charge to operating expense of $49,706,000. This charge includes $29,620,000 for future rental payments under operating lease agreements that will be paid after the store is closed and will not be subsidized by subtenant income, $4,966,000 in fees, settlement costs and other expenses related to store closure and $15,120,000 in asset impairment charges. Lease agreements for the relocation sites will be executed during fiscal year 1999 and the stores will be closed and relocated during fiscal years 1999 and 2000. Staples made no payments in fiscal year 1998 related to the store closure charge.

INTEREST AND OTHER EXPENSE, NET. Net interest and other expense totaled $17,370,000, $21,955,000, and $22,962,000 in the fiscal years ended January 30, 1999, January 31, 1998, and February 1, 1997, respectively. The interest expense relates primarily to existing borrowings which were used to fund the increase in store inventories related to new store openings and improvements in in-stock levels; the acquisition of fixed assets for new stores opened and remodeled; continued investments in the information systems and distribution center infrastructure; and additional investments in Staples UK and Staples Germany as well as the purchase of them during the fiscal year ended January 31, 1998. The decrease in interest expense during the year ended January 30, 1999 is due primarily to the conversion of the Company's $300,000,000 of 4 1/2% Debentures into common stock in December 1998.

EQUITY IN LOSS OF AFFILIATES. Staples' Equity in Loss of Affiliates was $5,953,000 and $11,073,000 respectively, in the years ended January 31, 1998 and February 1, 1997. Staples recorded no equity in loss of affiliates for the year ended January 30, 1999, due to the acquisition of Staples UK and Staples Germany on May 6, 1997 and May 7, 1997, respectively. As a result of the acquisitions, Staples' ownership interest of Staples UK increased to 100% and its ownership of Staples Germany increased to approximately 92% which was increased to 100% in December 1998. The transactions were accounted for in accordance with the purchase method of accounting and accordingly, the consolidated results of these entities are reflected in Staples' financial statements since the respective dates of acquisition. Prior to the acquisitions, Staples UK and Staples Germany were accounted for under the equity method which resulted in Staples' share of losses from operations being included in Equity in Loss of Affiliates. As of January 30, 1999, Staples UK and Staples Germany operated 48 and 25 stores, respectively.

INCOME TAXES. The provision for income taxes as a percentage of pre-tax income was 39.5%, 32.8% and 31.5% for the years ended January 30, 1999, January 31, 1998 and February 1, 1997. On a pro forma basis, to reflect a provision for income taxes on previously untaxed earnings of Quill, Staples' effective tax rate would have been 40.1%, 38.7% and 38.8% respectively for the same periods. The increase in the pro forma tax rate in fiscal year 1998 was primarily due to non-deductible merger-related costs.

LIQUIDITY AND CAPITAL RESOURCES

Staples has traditionally used a combination of cash generated from operations and debt or equity offerings to fund its expansion and acquisition activities. During the years ended January 30, 1999, January 31, 1998 and February 1, 1997, Staples also utilized its revolving credit facility to support its various growth initiatives.

Staples opened 174 stores, 130 stores, and 115 stores in the years January 30, 1999, January 31, 1998 and February 1, 1997, respectively, and closed three stores in the fiscal year ended January 30, 1999 and one store in each of the fiscal years ended January 31, 1998 and February 1, 1997. In addition, in the fiscal year ended January 31, 1998, 56 stores were added as a result of the acquisition of Staples UK and Staples Germany. As the store base matures and becomes more profitable, cash generated from store operations is expected to provide a greater portion of funds required for new store inventories and other working capital requirements. Sales generated by the contract stationer business segment are made under regular credit terms, which requires that Staples carry its own receivables from these sales. Staples also utilized capital equipment financings to fund current working capital requirements. During the year ended January 30, 1999, Staples paid mortgages in full on five distribution centers acquired from Quill of approximately $14 million.

As of January 30, 1999, cash, cash equivalents, and short-term investments totaled $375,421,000, a decrease of $11,569,000 from the January 31, 1998 balance of $386,990,000. The principal sources of funds were primarily cash from operations, including an increase in accounts payable and accrued expenses of $363,988,000, which financed the increase in merchandise inventory of $211,052,000 related to new store openings, expanded product assortment and improvements in in-stock levels. These sources were partially offset by the acquisition of property and equipment of $322,308,000 and cash used in the acquisition of Quill of $48,102,000.

Staples expects to open approximately 170 stores during fiscal 1999. Management estimates that the Company's cash requirements, including pre-opening expenses, leasehold improvements and fixtures, will be approximately $1,400,000 for each new store (excluding the cost of any acquisitions of lease rights). Accordingly, Staples expects to use approximately $238,000,000 for store openings during this period. Staples plans to begin a stock repurchase program during fiscal 1999 intended to provide shares for employee stock programs. Staples expects to repurchase approximately six million shares annually. In addition, Staples plans to continue to make investments in information systems, distribution centers and store remodels to improve operational efficiencies and customer service, and may expend additional funds to acquire businesses or lease rights from tenants occupying retail space that is suitable for a Staples store. Staples expects to meet these cash requirements through a combination of available cash, operating cash flow and borrowings from its existing revolving line of credit. In a subsequent event on February 26, 1999, Staples completed the acquisition of Claricom Holdings, Inc. and certain related entities for a purchase price of approximately $140,000,000.

Staples issued $200,000,000 of senior notes (the "Notes") on August 12, 1997 with an interest rate of 7.125% payable semi-annually on February 15 and

August 15 of each year commencing on February 15, 1998. Net proceeds of approximately $198,000,000 from the sale of the Company's Notes were used for repayment of indebtedness under Staples' revolving credit agreement and for general working capital purposes, including the financing of new store openings, distribution facilities and corporate offices.

Staples also maintains a revolving credit facility, effective through November 2002, with a syndicate of banks which provides up to $350,000,000 of available borrowings. Borrowings made pursuant to this facility will bear interest at either the lead bank's prime rate, the federal funds rate plus 0.50%, the LIBOR rate plus a percentage spread based upon certain defined ratios, a competitive bid rate or a swing line loan rate. This agreement, among other conditions, contains certain restrictive covenants including net worth maintenance, minimum fixed charge interest coverage and limitations on indebtedness and sales of assets. As of January 30, 1999, no borrowings were outstanding under the revolving credit agreement. Staples also has available $35,000,000 in uncommitted, short-term bank credit lines, of which no borrowings were outstanding as of January 30, 1999. Staples UK has a $50,000,000 line of credit which had an outstanding balance of $29,849,000 at January 30, 1999 and Business Depot has a $16,545,000 line of credit with no outstanding balance at January 30, 1999. Total cash, short-term investments and available revolving credit amounts totaled $826,966,000 as of January 30, 1999.

Staples expects that its current cash and cash equivalents and funds available under its revolving credit facility will be sufficient to fund its planned store openings and other recurring operating cash needs for at least the next twelve to eighteen months. Staples continually evaluates financing possibilities, and it may seek to raise additional funds through any one or a combination of public or private debt or equity-related offerings, dependent upon market conditions, or through an additional commercial bank debt arrangement.

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INFLATION AND SEASONALITY

While inflation or deflation has not had, and Staples does not expect it to have, a material impact upon operating results, there can be no assurance that Staples' business will not be affected by inflation or deflation in the future. Staples believes that its business is somewhat seasonal, with sales and profitability slightly lower during the first and second quarters of its fiscal year.

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FUTURE OPERATING RESULTS

This annual report on Form 10-K contains forward-looking statements that involve risks and uncertainties. Any statement (including statements to the effect that Staples "believes", "expects", "anticipates", "plans" and similar expressions) that are not statements relating to historical matters should be considered forward-looking statements. Our actual results may differ materially from the results discussed in the forward-looking statements as a result of numerous important factors, including those discussed below.

STAPLES OPERATES IN A HIGHLY COMPETITIVE MARKET. Staples competes in a highly competitive marketplace with a variety of retailers, dealers and distributors. In most of our geographic markets, we compete with other high-volume office supply chains, such as Office Depot, OfficeMax and Office World, that have store formats, pricing strategies and product selections that are similar to ours. Staples also competes with mass merchants (such as Wal-Mart), warehouse clubs, computer and electronic superstores, and other discount retailers. In addition, our retail stores and delivery and contract businesses compete with numerous mail order firms, contract stationer businesses and direct manufacturers. Many of our competitors, including Office Depot, OfficeMax and Wal-Mart, have in recent years significantly increased the number of stores they operate within our markets. Some of our current and potential competitors are larger than we are and have substantially greater financial resources. It is possible that increased competition or improved performance by our competitors may reduce our market share, may force us to charge lower prices than we otherwise would, and may adversely affect our business and financial performance in other ways.

OUR SUCCESS DEPENDS ON OUR ABILITY TO SUCCESSFULLY OPEN NEW STORES. An important part of our business plan is to aggressively increase the number of our stores. Staples opened 174 stores in the United States, Canada and Europe in fiscal 1998 and plans to open approximately 170 new stores in fiscal 1999. For our growth strategy to be successful, Staples must identify and lease favorable store sites, hire and train employees and adapt our management and operational systems to meet the needs of our expanded operations. These tasks may be difficult to accomplish successfully. If we are unable to open new stores as quickly as we plan, our future sales and profits could be materially adversely affected. Even if Staples succeeds in opening new stores, new stores may not achieve the same sales or profit levels as our existing stores. Also, our expansion strategy includes opening new stores in markets where Staples has a presence so that we can take advantage of economies of scale in marketing, distribution and supervision costs. However, these new stores may result in the loss of sales in existing stores in nearby areas.

OUR OPERATING RESULTS MAY VARY FROM QUARTER TO QUARTER. 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. Our earnings may not continue to grow at rates similar to the growth rates achieved in recent years and may fall short of either a prior fiscal period or investors' expectations. Factors that could cause these quarterly fluctuations include the following:

* the number of new store openings (pre-opening expenses are expensed as incurred and newer stores are less profitable than mature stores);
* the extent to which sales in new stores result in the loss of sales in existing stores;
* the mix of products sold;
* pricing actions of competitors;
* the level of advertising and promotional expenses;
* seasonality (the sales and profitability of our stores are typically slightly lower in the first and second quarter of our fiscal year than in other quarters); and

* one-time charges associated with acquisitions.

Most of our operating expenses, such as rent expense, advertising expense and employee salaries, do not vary directly with the amount of our sales and are difficult to adjust in the short term. As a result, if sales in a particular quarter are below our expectation for that quarter, Staples could not proportionately reduce operating expenses for that quarter, and therefore this sales shortfall would have a disproportionate effect on our expected net income for the quarter.

The market price of our Common Stock is based in large part on professional securities analysts' expectations that our business will continue to grow and that Staples will achieve certain levels of new income. If our financial performance in a particular quarter does not meet the expectations of securities analysts, this may adversely affect the views of those securities analysts concerning our growth potential and future financial performance. If the securities analysts that regularly follow us lower their rating of our Common Stock or lower their projections for our future growth and financial performance, the market price of our Common Stock is likely to drop significantly. In addition, in those circumstances the decrease in Common Stock price would probably be disproportionate to the shortfall in our financial performance.

RAPID GROWTH COULD STRAIN OUR OPERATIONS. Our business, including sales, number of stores and number of employees, has grown dramatically over the past several years. In addition, Staples has acquired a number of significant companies in the last few years and may make additional acquisitions in the future. This growth has placed significant demands on our management and operational systems. If we are not successful in upgrading our operational and financial systems, expanding our management team and increasing and effectively managing our employee base, this growth is likely to result in operational inefficiencies and ineffective management of our business and employees, which will in turn adversely affect our business and financial performance.

OUR INTERNATIONAL OPERATIONS ARE SUBJECT TO ADDITIONAL RISKS. Staples currently operates in international markets through The Business Depot Ltd. in Canada, Staples UK in the United Kingdom and Staples Germany in Germany. Staples may seek to expand into other international markets in the future. Our foreign operations encounter risks similar to those faced by our US stores, as well as risks inherent in foreign operations, such as local customs and competitive conditions and foreign currency fluctuations. Our European operations are currently unprofitable, and we cannot guarantee that they will become profitable.

THE TERMS AND TIMING OF FUTURE FINANCINGS ARE UNCERTAIN. Staples currently expects that current cash and cash equivalents and funds available under our revolving credit facility will be sufficient to fund our planned new store openings and other operating cash needs for at least the next twelve to eighteen months. However, it is possible that Staples will require additional sources of financing earlier than anticipated, as a result of unexpected cash needs or opportunities, an expanded growth strategy or disappointing operating results. Additional funds may not be available on satisfactory terms when needed, whether within the next twelve to eighteen months or thereafter.

YEAR 2000 COMPLIANCE

Staples has completed a comprehensive assessment of its internal computer systems and applications to identify those that might be affected by computer programs using two digits rather than four to define the applicable year (the "Year 2000 issue"). Staples has used internal personnel as well as

external contractors and consultants to identify those systems and applications which are affected by the Year 2000 issue. Those systems and applications identified as needing remediation will be replaced or modified and tested for compliance. Remediation of the most critical Information Technology (IT) related systems and applications remain on schedule for completion during the first quarter of 1999 and it is anticipated that testing will be completed by the end of the second quarter of 1999. These systems include Merchandising/Logistics, Distribution, Store Point of Sale, and Corporate Finance. The remediation of the less critical IT systems is expected to be completed during the second quarter of 1999. These systems and applications include Marketing Systems and Non-Mission Critical Desktop Applications. Testing of these less critical IT systems and applications is expected to be finished during the third quarter of 1999.

Staples has also finished its assessment of non-IT-related systems and applications and is continuing to assess the status of third parties with regard to Year 2000 compliance. The non-IT-related systems and applications include telephone systems, store security systems, and electrical systems, among others. The remediation of these systems is expected to be completed during the first quarter of 1999 with testing to be finished by the end of the second quarter of 1999. Staples is also working with third parties, primarily major vendors, but also customers to ensure that they will be Year 2000 compliant as Staples' schedule requires. Responses have been received from the majority of vendors, but not all vendors have assured Staples that they will be compliant in time. As a contingency, alternative lists of third party vendors have been created in case a critical third party does not achieve compliance. Staples has completed its enterprise-wide inventory review and has completed the most critical aspects of a comprehensive risk assessment relative to vendor-provided products, devices and/or services. The balance of this risk assessment will be completed during the first quarter of 1999. Comprehensive due diligence and monitoring with respect to vendors with the greatest impact on Staples will be performed on a continuous basis throughout 1999.

Staples has estimated that the total cost of Year 2000 compliance will be between $20 and $30 million, $14 million of which had been spent as of January 30, 1999. While Staples has purchased hardware and software, it has done so in support of configuration management and growth and these purchases have not been capitalized. Most of the costs to be incurred are related to remediation and testing of software using outside contracted services. The costs of compliance have been included in Staples' current 1999 IT budgets. The inclusion of Year 2000 compliance in the IT budget has not caused any critical IT projects to be delayed or eliminated.

Staples currently does not have a formal contingency plan in the event that an area of its operations does not become Year 2000 compliant. A formal plan will be adopted if it becomes more evident that there will be an area of non-compliance in its systems or at a critical third party. Staples is developing procedures for all its sites, listing those to contact in the event a "Y2K suspected" issue is encountered. Although Staples expects to achieve Year 2000 compliance as scheduled, there are potential risks if the company does not become or is late in becoming Year 2000 compliant. Such risks include impairing the Company's ability to process and deliver customer orders and payments, procure saleable merchandise, and perform other critical business functions which could have a material impact on financial performance. Staples has yet to make an analysis of the effect that an instance of critical non-compliance by the Company or a third party would have on revenues and expenses since a worst case scenario has not been identified. Further, there is also the risk that claims may be made against Staples in the event of its non-compliance or the non-compliance of the products and services which it sells. The costs of defending and settling such claims could have a material impact on the financial statements of the Company. Staples is preparing a "Y2K Preparedness Guide" for its customers so the Company can be proactive in assisting them with vendor contacts to answer their Y2K questions.

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The information presented above is based on management's estimates which were made using assumptions of future events. Uncontrollable factors such as the compliance of the systems of third parties and the availability of resources could materially increase the cost or delay the estimated date of Year 2000 compliance.

EURO CURRENCY

On January 1, 1999, certain member countries of the European Union established fixed conversion rates between their existing currencies and the European Union's common currency, ("the euro"). The former currencies of the participating countries are scheduled to remain legal tender as denominations of the euro until January 1, 2002 when the euro will be adopted as the sole legal currency.

Staples has evaluated the potential impact on its business including the ability of its information systems to handle euro-denominated transactions and the impact on exchange costs and currency exchange rate risks. The conversion to the euro is not expected to have a material impact on Staples' operations or financial position.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS*

Staples is exposed to market risk from changes in interest rates and foreign exchange rates. Staples does not use these derivative instruments for trading purposes. Staples initiated a risk management control process to monitor the foreign exchange and interest rate risks. The risk management process uses analytical techniques including market value, sensitivity analysis, and value at risk estimates. Staples does not believe that the potential exposure is significant in light of the size of the Company and its business. In addition, the foreign exchange rate can move in Staples' favor. Recent experience has demonstrated that gains on certain days are offset by losses on other days. Therefore, Staples does not expect to incur material losses.

This risk management discussion, and the effects of changes in interest rates and foreign exchange rates, are forward-looking statements. Actual results in the future may differ materially from these projected results due to actual developments in the global financial markets. The analytical methods used by Staples to assess and mitigate risk discussed above should not be considered projections of future events or losses.

APPENDIX C

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS. PAGE

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Staples, Inc.

We have audited the accompanying consolidated balance sheets of Staples, Inc. and subsidiaries as of January 30, 1999 and January 31, 1998, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended January 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 1996 and 1997 financial statements of Quill Corporation, a wholly owned subsidiary, which statements reflect 6% of total assets as of January 31, 1998 and 20% and 25% of net income for the years ended January 31, 1998 and February 1, 1997, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for Quill Corporation, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and, for 1996 and 1997, the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Staples, Inc. and subsidiaries at January 30, 1999 and January 31, 1998 and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 30, 1999 in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

ERNST & YOUNG LLP

Boston, Massachusetts
March 4, 1999

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STAPLES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>
<CAPTION>

<S>	JANUARY 30, 1999 <C>	JANUARY 31, 1998 <C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 357,993	$ 381,088
Short-term investments	17,428	5,902
Merchandise inventories	1,340,432	1,124,642
Receivables, net	221,836	203,143
Deferred income taxes	75,261	33,108
Prepaid expenses and other current assets	51,150	38,257
TOTAL CURRENT ASSETS	2,064,100	1,786,140
PROPERTY AND EQUIPMENT:		
Land and buildings	231,378	150,947
Leasehold improvements	372,451	292,128
Equipment	400,225	304,177
Furniture and fixtures	239,755	173,711
TOTAL PROPERTY AND EQUIPMENT	1,243,809	920,963
Less accumulated depreciation and amortization	403,520	310,701

NET PROPERTY AND EQUIPMENT	840,289	610,262
OTHER ASSETS:		
Lease acquisition costs, net of amortization	75,127	43,244
Investments	--	16,450
Goodwill, net of amortization	148,201	139,753
Deferred income taxes	28,735	15,451
Other	22,814	27,562
TOTAL OTHER ASSETS	274,877	242,460
	$3,179,266	$2,638,862
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 794,427	$ 672,956
Accrued expenses and other current liabilities	438,311	266,023
Debt maturing within one year	32,594	43,501
TOTAL CURRENT LIABILITIES	1,265,332	982,480
LONG-TERM DEBT	205,015	218,959
OTHER LONG-TERM OBLIGATIONS	52,033	42,803
CONVERTIBLE DEBENTURES	--	300,000
MINORITY INTEREST	--	135
STOCKHOLDERS' EQUITY:		
Preferred stock, $ 01 par value-authorized 5,000,000 shares; no shares issued		
Common stock, $ 0006 par value-authorized 1,000,000,000 shares; issued 461,538,061 shares at January 30, 1999 and 417,238,962 shares at January 31, 1998	277	167
Additional paid-in capital	1,043,194	593,883
Cumulative foreign currency translation adjustments	(11,675)	(10,315)
Unrealized gain on investments	7	1,056
Retained earnings	633,321	510,040
Less: treasury stock at cost, 488,922 shares at January 30, 1999 and 88,724 shares at January 31, 1998	(8,238)	(346)
TOTAL STOCKHOLDERS' EQUITY	1,656,886	1,094,485
	$3,179,266	$2,638,862

</TABLE>

See notes to consolidated financial statements

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STAPLES, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED		
	JANUARY 30, 1999	JANUARY 31, 1998	FEBRUARY 1, 1997
<S>	<C>	<C>	<C>
Sales	$7,123,189	$ 5,732,145	$ 4,493,589
Cost of goods sold and occupancy costs	5,365,802	4,353,161	3,410,263
GROSS PROFIT	1,757,387	1,378,984	1,083,326
OPERATING AND OTHER EXPENSES:			
Operating and selling	1,023,848	833,046	651,634
Pre-opening	13,836	9,443	8,299
General and administrative	301,627	225,587	175,704
Amortization of goodwill	3,739	3,581	2,291
Merger-related and integration costs	41,000	29,665	--
Store closure charge	49,706	--	--
Interest and other expense, net	17,370	21,955	22,962
TOTAL OPERATING AND OTHER EXPENSES	1,451,126	1,123,277	860,890
INCOME BEFORE EQUITY IN LOSS OF AFFILIATES AND INCOME TAXES	306,261	255,707	222,436
Equity in loss of affiliates	--	(5,953)	(11,073)
INCOME BEFORE INCOME TAXES	306,261	249,754	211,363
Income tax expense	121,026	81,924	66,621
NET INCOME BEFORE MINORITY INTEREST	185,235	167,830	144,742
Minority interest	135	84	--
NET INCOME	$ 185,370	$ 167,914	$ 144,742
BASIC EARNINGS PER COMMON SHARE			
Historical net income per common share	$ 0.43	$ 0.41	$ 0.36

	==========	===========	===========
DILUTED EARNINGS PER COMMON SHARE			
Historical net income per common share	$ 0.41	$ 0.39	$ 0.35
	==========	===========	===========
PRO FORMA:			
Historical net income	$ 185,370	$ 167,914	$ 144,742
Provision for income taxes on previously untaxed earnings of pooled S-Corporation income	1,814	14,786	15,329
	----------	-----------	-----------
PRO FORMA NET INCOME	$ 183,556	$ 153,128	$ 129,413
	==========	===========	===========
BASIC EARNINGS PER COMMON SHARE			
Pro forma net income per common share	$ 0.43	$ 0.38	$ 0.32
	==========	===========	===========
DILUTED EARNINGS PER COMMON SHARE			
Pro forma net income per common share	$ 0.41	$ 0.36	$ 0.31
	==========	===========	===========

</TABLE>

See notes to consolidated financial statements

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STAPLES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

FOR THE FISCAL YEARS ENDED JANUARY 30, 1999, JANUARY 31, 1998,
AND FEBRUARY 1, 1997

<TABLE>
<CAPTION>

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	UNREALIZE GAIN (LOSS) O INVESTMEN
	------------	-----------	----------------	---------
<S>	<C>	<C>	<C>	<C>
BALANCES AT FEBRUARY 3, 1996	$ 159	$ 466,660	$ (2,073)	$ 32
Issuance of common stock for				

stock options exercised	3	13,726		
Tax benefit on exercise of options		16,773		
Contribution of common stock				
to Employees' 401(K) Savings Plan		1,998		
Sale of common stock under				
Employee Stock Purchase Plan		8,980		
Issuance of Performance Accelerated				
Restricted Stock		532		
Unrealized loss on short-term				
investments, net of tax				(12
Translation adjustments			1,926	
Issuance of common stock				
for acquisitions and other transactions		164		
Dividends to shareholders of acquired S-Corp				
Net income for the year				
	---------	-----------	--------	------
BALANCES AT FEBRUARY 1, 1997	$ 162	$ 508,833	$ (147)	$ 20
Issuance of common stock for				
stock options exercised	5	32,178		
Tax benefit on exercise of options		32,873		
Contribution of common stock				
to Employees' 401(K) Savings Plan		2,318		
Sale of common stock under				
Employee Stock Purchase Plan		10,499		
Issuance of Performance Accelerated				
Restricted Stock		7,182		
Unrealized gain on investments,				
net of tax				1,036
Translation adjustments			(10,168)	
Dividends to shareholders of acquired S-Corp				
Net income for the year				
	---------	-----------	--------	------
BALANCES AT JANUARY 31, 1998	$ 167	$ 593,883	$(10,315)	$1,056
Issuance of common stock for				
stock options exercised	5	50,118		
Issuance of common stock for conversion of				
debentures, net of interest and deferred charges	13	298,520		
Stock split and cash paid in lieu of fractional shares	92	(607)		
Tax benefit on exercise of options		74,157		
Contribution of common stock				
to Employees' 401(K) Savings Plan		3,288		
Sale of common stock under				
Employee Stock Purchase Plan		13,210		
Issuance of Performance Accelerated				
Restricted Stock		10,654		

Unrealized loss on investments, net of tax				(1,049
Translation adjustments			(1,360)	
Purchase and retirement of S-Corporation shares		(29)		
Dividends to shareholders of acquired S-Corp				
Adjustment to conform fiscal year of Quill Corporation				
Net income for the year				
Purchase of treasury shares				
BALANCES AT JANUARY 30, 1999	$ 277	$ 1,043,194	$(11,675)	$ 7

</TABLE>

<TABLE>
<CAPTION>

<S>	TREASURY STOCK <C>	COMPREHENSIVE INCOME <C>
BALANCES AT FEBRUARY 3, 1996	$ (346)	
Issuance of common stock for stock options exercised		
Tax benefit on exercise of options		
Contribution of common stock to Employees' 401(K) Savings Plan		
Sale of common stock under Employee Stock Purchase Plan		
Issuance of Performance Accelerated Restricted Stock		
Unrealized loss on short-term investments, net of tax		(12)
Translation adjustments		1,926
Issuance of common stock for acquisitions and other transactions		
Dividends to shareholders of acquired S-Corp		
Net income for the year		144,742
BALANCES AT FEBRUARY 1, 1997	$ (346)	$146,656
Issuance of common stock for stock options exercised		
Tax benefit on exercise of options		
Contribution of common stock to Employees' 401(K) Savings Plan		
Sale of common stock under		

Employee Stock Purchase Plan		
Issuance of Performance Accelerated Restricted Stock		
Unrealized gain on investments, net of tax		1,036
Translation adjustments		(10,168)
Dividends to shareholders of acquired S-Corp		
Net income for the year		167,914
	-------	--------
BALANCES AT JANUARY 31, 1998	$ (346)	$158,782
		========
Issuance of common stock for stock options exercised		
Issuance of common stock for conversion of debentures, net of interest and deferred charges		
Stock split and cash paid in lieu of fractional shares		
Tax benefit on exercise of options		
Contribution of common stock to Employees' 401(K) Savings Plan		
Sale of common stock under Employee Stock Purchase Plan		
Issuance of Performance Accelerated Restricted Stock		
Unrealized loss on investments, net of tax		(1,049)
Translation adjustments		(1,360)
Purchase and retirement of S-Corporation shares		
Dividends to shareholders of acquired S-Corp		
Adjustment to conform fiscal year of Quill Corporation		
Net income for the year		185,370
Purchase of treasury shares	(7,892)	
	-------	--------
BALANCES AT JANUARY 30, 1999	$(8,238)	$182,961
	=======	========

</TABLE>

See notes to consolidated financial statements.

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STAPLES, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLAR AMOUNTS IN THOUSANDS)

<TABLE>
<CAPTION>

<S>	FISCAL YEAR END JANUARY 30, 1999 <C>	FISCAL YEAR END JANUARY 31, 1998 <C>
OPERATING ACTIVITIES:		
Net income	$ 185,370	$ 167,914
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Minority interest	(135)	(84)
Depreciation and amortization	99,207	90,714
Merger-related and integration costs	41,000	29,665
Store closure charge	49,706	--
Expense from 401(K) and PARS stock contribution	12,764	10,409
Equity in loss of affiliates	--	5,953
Deferred income taxes (benefit)/expense	(55,569)	3,877
Change in assets and liabilities, net of companies acquired using purchase accounting:		
Increase in merchandise inventories	(211,052)	(227,076)
Decrease (increase) in receivables	(15,993)	17,569
Increase in prepaid expenses and other assets	(9,839)	(5,026)
Increase in accounts payable, accrued expenses and other current liabilities	273,280	293,831
Increase in other long-term obligations	9,597	5,074
	192,966	224,906
NET CASH PROVIDED BY OPERATING ACTIVITIES	378,336	392,820
INVESTING ACTIVITIES:		
Acquisition of property and equipment	(322,308)	(190,659)
Acquisition of businesses, net of cash acquired	(13,500)	(79,325)
Proceeds from sales and maturities of short-term investments	10,338	13,618
Purchase of short-term investments	(22,913)	(4,500)
Proceeds from sales and maturities of long-term investments	18,995	265
Purchase of long-term investments	(2,545)	(5,714)
Investment in affiliates	--	(3,788)
Acquisition of lease rights	(37,182)	(2,717)
Other	1,208	(11,998)
NET CASH USED IN INVESTING ACTIVITIES	(367,907)	(284,818)
FINANCING ACTIVITIES:		
Proceeds from sale of capital stock	63,996	48,043

Proceeds from borrowings	392,261	965,921
Payments on borrowings	(417,323)	(830,018)
Purchase of dissenting shareholder S-Corporation stock	(48,102)	--
Purchase of treasury stock	(7,892)	--
Dividends to shareholders of acquired S-Corp	(15,904)	(25,175)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(32,964)	158,771
Effect of exchange rate changes on cash	(560)	(2,720)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(23,095)	264,053
Cash and cash equivalents at beginning of period	381,088	117,035
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 357,993	$ 381,088

</TABLE>

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS: Staples, Inc. and subsidiaries ("Staples" or "the Company") operates a chain of office supply stores and contract stationer/delivery warehouses throughout North America and in the United Kingdom and Germany.

BASIS OF PRESENTATION: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions are eliminated in consolidation.

FISCAL YEAR: Staples' fiscal year is the 52 or 53 weeks ending the Saturday closest to January 31. Fiscal years 1998, 1997 and 1996, consisted of the 52 weeks ended January 30, 1999, January 31, 1998 and February 1, 1997 respectively. As more fully described in Note L, the statements of income combine Staples' historical operating results for the fiscal years with the corresponding Quill Corporation ("Quill") operating results for the calendar years ended December 31, 1997 and 1996. Accordingly, to conform fiscal years for 1998, an adjustment for Quill's operating results for January 1998 was made to retained earnings.

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

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

SHORT-TERM INVESTMENTS: Staples' securities are classified as available for sale and consist principally of high-grade state and municipal securities having an original maturity of more than three months. The investments are carried at fair value, with the unrealized holding gains and losses reported as a component of Staples' stockholders' equity. The cost of securities sold is based on the specific identification method. No individual issue in the portfolio constitutes greater than one percent of the total assets of Staples.

MERCHANDISE INVENTORIES: Merchandise inventories are valued at the lower of weighted-average cost or market.

RECEIVABLES: Receivables relate principally to amounts due from vendors under various incentive and promotional programs and trade receivables financed under regular commercial credit terms. Concentrations of credit risk with respect to trade receivables are limited due to Staples' large number of customers and their dispersion across many industries and geographic regions.

ADVERTISING: Staples expenses the production costs of advertising the first time the advertising takes place, except for the direct-response advertising, which is capitalized and amortized over its expected period of future benefits. Direct-response advertising consists primarily of the direct catalog production costs. The capitalized costs of the advertising are amortized over the six month period

following the publication of the catalog in which it appears. Direct catalog production costs included in prepaid and other assets totaled $9,854,000 at January 30, 1999 and $7,667,000 at January 31, 1998. Total advertising and marketing expense was $356,928,000, $288,838,000, and $221,000,000 for the years ended January 30, 1999, January 31, 1998, and February 1, 1997, respectively.

PROPERTY AND EQUIPMENT: Property and equipment are recorded at cost. Depreciation and amortization, which includes the amortization of assets recorded under capital lease obligations, are provided using the straight-line method over the estimated useful lives of the assets or the terms of the respective leases. Depreciation and amortization periods are as follows:

Buildings	40 years
Leasehold improvements	10 years or term of lease
Furniture and fixtures	5 to 10 years
Equipment	3 to 10 years

LEASE ACQUISITION COSTS: Lease acquisition costs are recorded at cost and amortized on the straight-line method over the respective lease terms, including option renewal periods if renewal of the lease is probable, which range from 5 to 40 years. Accumulated amortization at January 30, 1999 and January 31, 1998 totaled $24,674,000 and $19,483,000, respectively.

GOODWILL: Goodwill arising from business acquisitions is amortized on a straight-line basis over 40 years. Accumulated amortization was $13,053,000 and $10,622,000 as of January 30, 1999 and January 31, 1998, respectively. Management periodically evaluates the recoverability of goodwill, which would be adjusted for a permanent decline in value, if any, as measured by the recoverability from projected future cash flows from the acquired businesses.

PRE-OPENING COSTS: Pre-opening costs, which consist primarily of salaries, supplies, marketing and occupancy costs, are charged to expense as incurred.

PRIVATE LABEL CREDIT CARD RECEIVABLES: Staples offers a private label credit card which is managed by a financial services company. Under the terms of the agreement, Staples is obligated to pay fees which approximate the financial institution's cost of processing and collecting the receivables, which are primarily non-recourse to Staples.

FOREIGN CURRENCY TRANSLATION: The assets and liabilities of Staples' foreign subsidiaries, The Business Depot Ltd. ("Business Depot"), Staples UK, and Staples Germany, are translated into U.S. dollars at current exchange rates as of the balance sheet date, and revenues and expenses are translated at average monthly exchange rates. The resulting translation adjustments, and the net exchange gains and losses resulting from the translation of investments in Staples' foreign subsidiaries during the years ended January 30, 1999, January 31, 1998 and February 1, 1997, are recorded in a separate section of stockholders' equity titled "Cumulative foreign currency translation adjustments."

STOCK OPTION PLANS: Staples has adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"). As permitted by FAS 123, Staples continues to account for its stock-based plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and provides pro forma disclosures of the compensation expense determined under the fair value provisions of FAS 123.

EARNINGS PER SHARE: Staples calculates earnings per share in accordance with Statement of Financial Accounting Standards No. 128 "Earnings per Share" ("FAS 128") which requires disclosure of basic and diluted earnings per share. Basic earnings per share excludes any dilutive effects of options, warrants, and convertible securities, while diluted earnings per share includes such effects. See Note K for the computation of earnings per share for the years ended January 30, 1999, January 31, 1998 and February 1, 1997.

FAIR VALUE OF FINANCIAL INSTRUMENTS. Pursuant to Statement of Financial Accounting Standards No. 107, "Disclosure About Fair Value of Financial Instruments" ("FAS 107"), Staples has estimated the fair value of its financial instruments using the following methods and assumptions:

- The carrying amount of cash and cash equivalents, receivables and accounts payable approximates fair value;

- The fair values of short-term investments and the 4 1/2% Convertible Subordinated Debentures are based on quoted market prices;

- The carrying amounts of Staples' debt approximates fair value, estimated by discounted cash flow analyses based on Staples' current incremental borrowing rates for similar types of borrowing arrangements.

LONG-LIVED ASSETS: Staples adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of" ("FAS 121"), which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flow estimated to be generated by those assets are less than the assets' carrying amount. Staples' policy is to evaluate long-lived assets for impairment at a store level.

COMPREHENSIVE INCOME: Effective February 1, 1998, Staples adopted SFAS No. 130 "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes new rules for the reporting and display of comprehensive income and its components. The adoption of SFAS 130 had no impact on Staples' net income or shareholders' equity. SFAS 130 requires Staples' to report comprehensive income which includes net income, foreign currency translation adjustments and unrealized gains and losses on short-term investments, to be reported separately in stockholders' equity.

SEGMENT REPORTING: Effective February 1, 1998, Staples adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("Statement 131"). Statement 131 superseded FASB Statement No. 14, "Financial Reporting for Segments of a Business Enterprise". Statement 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. Statement 131 also establishes standards for related disclosures about products and services, geographic areas, and major customers. The adoption of Statement 131 did not affect the results of operations or financial position, but did affect the disclosure of segment information, see note N.

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NOTE B INVESTMENTS

The following is a summary of available-for-sale investments as of January 30, 1999 and January 31, 1998 (in thousands):

<TABLE>
<CAPTION>

January 31, 1999	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATE FAIR VALU
<S>	<C>	<C>	<C>	<C>
Short-term:				
Municipal obligations	$10,515	$46	$ --	$10,561
Agency Bonds	6,902	7	(42)	6,867
Total short-term	$17,417	$53	$(42)	$17,428

</TABLE>

<TABLE>
<CAPTION>

January 31, 1998	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATE FAIR VALU
<S>	<C>	<C>	<C>	<C>
Short-term:				
Certificates of deposit	$ 3,236	$ --	$ --	$ 3,236
Debt securities	2,659	7	--	2,666
Total short-term	$ 5,895	$ 7	$ --	$ 5,902
Long-term:				
Municipal obligations	$ 9,986	$ 125	$ (7)	$10,104
Equity securities	4,061	950	(15)	4,996
Money market instruments	1,350	--	--	1,350
Total long-term	$15,397	$1,075	$(22)	$16,450

</TABLE>

Proceeds from the sale of investment securities were $14,599,000 and $265,000 during the years ended January 30, 1999 and January 31, 1998, respectively.

Other reductions in the cost balance resulted from maturities of securities. The net adjustment to unrealized holding gains and losses on available-for-sale investments included as a separate component of stockholders' equity totaled $(1,049,000) and $1,036,000 for the years ended January 30, 1999 and January 31, 1998, respectively.

The amortized cost and estimated fair value of debt and marketable equity securities at January 30, 1999, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of securities may have the right to prepay obligations without prepayment penalties.

	COST	ESTIMATED FAIR VALUE
Due in one year or less...........................	$ 17,417	$ 17,428

NOTE C ACCRUED LIABILITIES

<TABLE>
<CAPTION>

Accrued liabilities consist of:	JANUARY 30, 1999	JANUARY 31, 1998
<S>	<C>	<C>
Taxes	$114,179	$ 76,118
Acquisition and store closure reserves	91,484	16,596
Employee related	88,551	63,126
Advertising and direct marketing	30,543	24,845
Other	113,554	85,338
Total	$438,311	$266,023

</TABLE>

NOTE D LONG-TERM DEBT AND CREDIT AGREEMENT

Long-term debt consists of the following (in thousands):

<TABLE>
<CAPTION>

	JANUARY 30, 1999	JANUARY 31, 1998
<S>	<C>	<C>
Capital lease obligations and other notes payable in monthly installments with		

effective interest rates from 4% to 16%; collateralized by the related equipment	$ 7,760	$ 14,909
Note payable with a fixed rate of 6.16%	--	25,000
Senior notes with a fixed rate of 7.125%	200,000	200,000
Mortgage notes at various rates	--	13,805
Lines of credit	29,849	8,746
	$237,609	$262,460
Less current portion	32,594	43,501
	$205,015	$218,959

</TABLE>

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

<TABLE>
<CAPTION>

Fiscal year:	TOTAL
1999	$ 32,594
2000	1,579
2001	434
2002	308
2003	311
Thereafter	202,383
	$237,609

</TABLE>

Included in property and equipment are capital lease obligations for equipment recorded at the net present value of the minimum lease payments of $20,664,000. Future minimum lease payments of $3,001,000 excluding $201,000 of interest, are included in aggregate annual maturities shown above. Staples did not enter into any new capital lease agreements during the fiscal year ended January 30, 1999. New capital lease agreements totaling $2,770,000 were entered into during the fiscal year ended January 31, 1998.

Senior Notes:

Staples issued $200,000,000 of senior notes (the "Notes") on August 12, 1997 with an interest rate of 7.125% payable semi-annually on February 15 and August

15 of each year commencing on February 15, 1998. The Notes are due August 15, 2007. Net proceeds of approximately $198,000,000 from the sale of Staples' Notes were used for repayment of indebtedness under Staples' revolving credit facility and for general working capital purposes, including the financing of new store openings, distribution facilities and corporate offices.

Credit Agreements:

Effective November 13, 1997, Staples entered into a revolving credit facility, effective through November 2002, with a syndicate of banks, which provides up to $350,000,000 of borrowings. Borrowings made pursuant to this facility will bear interest at either the lead bank's prime rate, the federal funds rate plus 0.50%, the LIBOR rate plus a percentage spread based upon certain defined ratios, a competitive bid rate, or a swing line loan rate. This agreement, among other conditions, contains certain restrictive covenants including net worth maintenance, minimum fixed charge interest coverage and limitations on indebtedness and sales of assets. As of January 30, 1999, no borrowings were outstanding under the revolving credit facility. Staples also has available $35,000,000 in uncommitted, short-term bank credit lines, of which no borrowings were outstanding as of January 30, 1999. Staples UK has a $50,000,000 line of credit which had an outstanding balance of $29,849,000 at January 30, 1999 and Business Depot has a $16,545,000 line of credit with no outstanding balance at January 30, 1999.

Interest paid by Staples totaled $29,600,000, $23,012,000 and $22,501,000 for the fiscal years ended January 30, 1999, January 31, 1998, and February 1, 1997, respectively. Capitalized interest totaled $2,254,000, $1,387,000 and $611,000 in the years ended January 30, 1999, January 31, 1998 and February 1, 1997, respectively.

NOTE E CONVERTIBLE DEBENTURES

On October 5, 1995, Staples issued $300,000,000 of 4 1/2% Convertible Subordinated Debentures due October 1, 2000 with interest payable semi-annually (the "4 1/2% Debentures"). During fiscal 1998, $299,995,000 of Staples' $300,000,000 of 4 1/2% Debentures were converted into an aggregate of 30,674,276 shares of common stock at a conversion price of $9.78 per share. The remaining $5,000 were called at par value plus a premium of 1.8% and accrued interest. The total principal amount converted was credited to common stock and additional paid-in capital, net of unamortized expenses of the original debt issue and accrued but unpaid interest.

NOTE F STOCKHOLDERS' EQUITY

On November 12, 1998, December 30, 1997, March 5, 1996 and June 29, 1995, the Board of Directors approved three-for-two splits of Staples' common stock to be effected in the form of 50% stock dividends. The dividends were distributed on January 28, 1999 to shareholders of record as of January 18, 1999, January 30, 1998 to shareholders of record as of January 20, 1998, March 25, 1996 to shareholders of record as of March 15, 1996 and July 24, 1995 to shareholders of record as of July 14,

1995, respectively. The consolidated financial statements have been retroactively restated to give effect to these stock splits.

During fiscal year 1998, Staples purchased treasury stock of $7,892,000 from employees and directors to fund the income taxes incurred by those employees and directors associated with the vesting of performance accelerated restricted stock (PARS).

At January 30, 1999, 72,614,501 shares of common stock were reserved for issuance under Staples' stock option, 401(k), employee stock purchase and director stock option plans.

NOTE G EMPLOYEE BENEFIT PLANS

Staples elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting for Stock-Based Compensation" requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, since the exercise price of Staples' employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

EMPLOYEE STOCK PURCHASE PLAN

Staples' 1998 Employee Stock Purchase Plan authorizes a total of up to 6,000,000 shares of Staples' common stock to be sold to participating employees. Participating employees may purchase shares of common stock at 85% of its fair market value at the beginning or end of an offering period, whichever is lower, through payroll deductions in an amount not to exceed 10% of an employee's base compensation. Staples' 1994 Employee Stock Purchase Plan expired during 1998.

STOCK OPTION PLANS

Under Staples' 1992 Equity Incentive Plan ("1992 Plan") Staples may grant to management and key employees incentive and nonqualified options to purchase up to 87,750,000 shares of common stock and Performance Accelerated Restricted Stock ("PARS"). This amount was approved by the shareholders of Staples on June 18, 1997. As of February 27, 1997, Staples' 1987 Stock Option Plan (the "1987 Plan") expired; unexercised options under this plan however remain outstanding. The exercise price of options granted under the plans may not be less than 100% of the fair market value of Staples' common stock at the date of grant. Options generally have an exercise price equal to the fair market value of the common stock on the date of grant. Some options outstanding are exercisable at various percentages of the total shares subject to the option starting one year after the grant, while other options are exercisable in their entirety three to five years after the grant date. All options expire ten years after the grant date, subject to earlier termination in the event of employment termination.

Staples' 1990 Director Stock Option Plan ("Director's Plan") authorizes shares of common stock to be issued to non-employee directors. The exercise price of options granted is equal to the fair market value of Staples' common stock at the date of grant. Options become exercisable in equal amounts over four years and expire ten years from the date of grant, subject to earlier termination, in certain circumstances, in the event the optionee ceases to serve as a director.

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Pro forma information regarding net income and earnings per share is required by FAS 123, which also requires that the information be determined as if Staples has accounted for its employee stock options granted subsequent to January 28, 1995 under the fair valued method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1996, 1997, and 1998: risk-free interest rates ranging from 5.21% to 6.12%; volatility factor of the expected market price of Staples' common stock of .30 for fiscal year 1996, .35 for fiscal year 1997, and .36 for fiscal year 1998; and a weighted-average expected life of the option of 4.0 years for the 1987 Plan and the 1992 Plan and 2.0 to 5.0 years for the Director's Plan.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. For purposes of FAS 123's disclosure requirements, the Employee Stock Purchase Plan is considered a compensatory plan. The expense was calculated based on the fair value of the employees' purchase rights. Staples' pro forma information, which includes the pro forma results of Quill, follows (in thousands except for earnings per share information):

<TABLE>
<CAPTION>

<S>	JANUARY 30, 1999 <C>	JANUARY 31, 1998 <C>	FEBRUARY 1, 1997 <C>
Pro forma net income	$156,265	$138,983	$122,116
Pro forma basic earnings per common share	$ 0.36	$ 0.34	$ 0.31
Pro forma diluted earnings per common share	$ 0.35	$ 0.33	$ 0.30

</TABLE>

This pro forma impact only takes into account options granted since January 28, 1995 and is likely to increase in future years as additional options are granted and amortized ratably over the vesting period.

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

	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE PER SHARE
Outstanding at February 3, 1996	47,220,579	$ 3.29
Granted	7,171,937	8.82
Exercised	(6,140,543)	2.29
Canceled	(2,357,118)	4.89
Outstanding at February 1, 1997	45,894,855	$ 4.26
Granted	9,656,558	10.43
Exercised	(10,147,409)	2.78
Canceled	(2,807,883)	7.43
Outstanding at January 31, 1998	42,596,121	$ 5.34
Granted	13,698,644	20.22
Exercised	(13,965,713)	3.64
Canceled	(1,938,669)	11.55
Outstanding at January 30, 1999	40,390,383	$11.58

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

<TABLE>
<CAPTION>

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WE AV EXE P

<S>	<C>	<C>	<C>	<C>	<
$ 0 53 - $ 3 56	5,083,310	4.14	$2.76	5,083,310	$
$ 3.65 - $ 5.56	4,542,693	5.67	$4.10	4,509,999	$
$ 5.70 - $ 8.30	4,800,123	6.45	$8.06	3,392,963	$
$ 8.37 - $ 9.17	4,623,599	7.56	$9.11	22,627	$
$ 9.47 - $ 9.83	229,980	8.10	$9.64	0	$
$10.28 - $10.28	5,734,482	8.57	$10.28	1,125	$
$10.44 - $19.42	3,004,779	8.72	$12.92	26,928	$
$20.08 - $20.08	10,699,422	9.42	$20.08	0	$
$20.75 - $27.71	1,511,123	9.83	$23.10	0	$
$29.13 - $29.13	160,872	10.01	$29.13	0	$
$ 0.53 - $29.13	40,390,383	7.60	$11.58	13,036,952	$

</TABLE>

The weighted-average fair values of options granted during the years ended January 30, 1999, January 31, 1998 and February 1, 1997 were $7.18, $3.80 and $3.81, respectively. Exercise prices for the options outstanding as of January 30, 1999 ranged from $0.53 to $29.13.

PERFORMANCE ACCELERATED RESTRICTED STOCK ("PARS")

PARS are shares of Staples' Common Stock granted outright to employees and non-employee directors without cost to the employee or director. The shares, however, are restricted in that they are not transferable (e.g. they may not be sold) by the employee or director until they vest, generally after the end of five years. Such vesting date may accelerate if Staples achieves certain compound annual earnings per share growth over a certain number of interim years. If the employee leaves Staples, or the director ceases to serve as a director of Staples, prior to the vesting date for any reason, the PARS shares will be forfeited by the employee or director, as the case may be, and will be returned to Staples. Once the PARS have vested, they become unrestricted and may be transferred and sold like any other Staples shares.

PARS issued in the fiscal year ended January 30, 1999 totaling approximately 1,381,000 shares which have a weighted average fair value of $17.56, initially vest on February 1, 2003 or will accelerate on May 1, in 2000, 2001, or 2002 upon attainment of certain compound annual earnings per share targets in the prior fiscal year. PARS totaling approximately 798,000 shares which have a weighted average fair value of $12.47, issued in fiscal year 1997 will vest on May 1, 1999 as a result of Staples achieving its target earnings goal for the fiscal year ended January 30, 1999.

In connection with the issuance of the PARS, Staples included $9,796,000, $7,496,000 and $532,000 in compensation expense for the fiscal years ended January 30, 1999, January 31, 1998 and February 1, 1997, respectively.

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EMPLOYEES' 401(K) SAVINGS PLAN

Under Staples' Employees' 401(k) Savings Plan (the "401(k) Plan"), and Supplemental Executive Retirement Plan (the "SERP Plan"), Staples may contribute up to a total of 2,503,125 shares of common stock to these plans. The 401(k) Plan is available to all employees of Staples who meet minimum age and length of service requirements. Company contributions are based upon a matching formula applied to employee contributions, with additional contributions made at the discretion of the Board of Directors. In connection with these plans Staples included approximately $3,000,000 in expense for fiscal year ended January 30, 1999 and $2,000,000 in expense for each of the fiscal years ended January 31, 1998 and February 1, 1997.

NOTE H INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components and the approximate tax effect of Staples' deferred tax assets and liabilities as of January 30, 1999 and January 31, 1998, are as follows (in thousands):

<TABLE>
<CAPTION>

	JANUARY 30, 1999	JANUARY 31, 1998
Deferred Tax Assets:		
<S>	<C>	<C>
Inventory	$ 27,328	$ 20,116
Deferred rent	19,713	14,797
Acquired NOL's	8,743	7,132
Other net operating loss carryforwards	27,259	22,907
Insurance	7,639	5,967
Employee benefits	9,746	5,569
Merger related charges	10,823	--
Store closure charge	20,274	--
Other - net	17,711	13,660
Total Deferred Tax Assets	149,236	90,148
Deferred Tax Liabilities:		
Depreciation	(2,312)	(6,687)
Other - net	(5,164)	(4,835)
Total Deferred Tax Liabilities	(7,476)	(11,522)

Total Valuation Allowance	(37,765)	(30,067)
Net Deferred Tax Assets	$ 103,995	$ 48,559

</TABLE>

Net deferred tax assets of approximately $4,500,000 attributable to businesses acquired during the fiscal year ended January 31, 1998 were allocated directly to reduce goodwill generated by these acquisitions. The deferred tax assets disclosed as acquired NOL's and other net operating loss carryforwards, totaling $36,002,000, have been fully reserved due to the uncertainty of the realization of the asset within the local country jurisdiction. Further, if this asset is utilized when income is earned within the foreign jurisdiction, Staples will not have a consolidated tax benefit, as Staples will be required to pay U.S. income taxes on the income offset by the foreign NOL.

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

	FISCAL YEAR ENDED		
	JANUARY 30, 1999	JANUARY 31, 1998	FEBRUARY 1, 1997
Pretax income:			
United States	$262,067	$213,549	$187,644
Foreign	44,194	36,205	23,719
	$306,261	$249,754	$211,363

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

	FISCAL YEAR ENDED		
	JANUARY 30, 1999	JANUARY 31, 1998	FEBRUARY 1, 1997
Current tax expense:			
Federal	$ 135,922	$53,248	$50,546
State	18,875	10,707	12,337
Foreign	21,798	14,092	601

	176,595	78,047	63,484
Deferred tax expense (benefit)	(55,569)	3,877	3,137
	---------	-------	-------
Total	$ 121,026	$81,924	$66,621
	=========	=======	=======

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

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED		
	JANUARY 30, 1999	JANUARY 31, 1998	FEBRUA 199
<S>	<C>	<C>	<C>
Federal statutory rate	35.0%	35.0%	35.0
State taxes, net of federal benefit	6.0%	6.0%	6.3
Tax exempt interest	(0.5%)	(0.5%)	(0.4
Tax benefit of loss carryforward	(0.0%)	(0.0%)	(0.2
Income of S-Corporation	(0.6%)	(5.7%)	(7.0
Other	(0.4%)	(2.0%)	(2.2
	----	----	----
Effective tax rate	39.5%	32.8%	31.5
	====	====	====

</TABLE>

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

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED		
	JANUARY 30, 1999	JANUARY 31, 1998	FEBRUA 199
<S>	<C>	<C>	<C>
Federal statutory rate	35.0%	35.0%	35.0
State taxes, net of federal benefit	6.0%	6.0%	6.3
Tax exempt interest	(0.5%)	(0.5%)	(0.4
Tax benefit of loss carryforward	(0.0%)	(0.0%)	(0.2
Other	(0.4%)	(1.8%)	(1.9

Effective tax rate	40.1%	38.7%	38.8

</TABLE>

Income tax payments were $94,729,602, $23,487,877, and $45,925,276, during fiscal years ended January 30, 1999, January 31, 1998, and February 1, 1997, respectively. Staples has net operating losses of approximately $101,300,000 that can be carried forward indefinitely, $21,900,000 of which is attributable to Staples' increased ownership in Staples UK and Staples Germany.

Undistributed earnings of Staples' foreign subsidiaries amounted to approximately $54,700,000 at January 30, 1999. Those earnings are considered to be indefinitely reinvested and, accordingly, no provision for U.S. federal and state income taxes has been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, Staples would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation. Withholding taxes of approximately $1,800,000 would be payable upon remittance of all previously unremitted earnings at January 30, 1999.

NOTE I LEASES AND OTHER OFF-BALANCE SHEET COMMITMENTS

Staples leases certain retail and support facilities under long-term noncancellable lease agreements. Most lease agreements contain renewal options and rent escalation clauses and require Staples to pay real estate taxes in excess of specified amounts and, in some cases, allow termination within a certain number of years with notice and a fixed payment. Certain agreements provide for contingent rental payments based on sales.

Other long-term obligations at January 30, 1999 include $49,000,000 relating to future rent escalation clauses and lease incentives under certain existing store operating lease arrangements. These rent expenses are recognized following the straight-line basis over the respective terms of the leases. Future minimum lease commitments for retail and support facilities (including lease commitments for 116 retail stores not yet opened at January 30, 1999) under noncancellable operating leases are due as follows (in thousands):

<TABLE>
<S> <C>

Fiscal year:	
1999..	$271,741

2000	294,675
2001	290,547
2002	280,104
2003	276,425
Thereafter	2,439,592
	$3,853,084

</TABLE>

Rent expense approximated $234,609,000, $193,990,000, and $142,508,000, for the fiscal years ended January 30, 1999, January 31, 1998, and February 1, 1997, respectively.

Letters of credit are issued by Staples during the ordinary course of business through major financial institutions as required by certain vendor contracts. As of January 30, 1999, Staples had available open letters of credit totaling $7,923,000.

NOTE J QUARTERLY SUMMARY (UNAUDITED)

<TABLE>
<CAPTION>

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	F Q
	(In thousands, except per share amounts)			
<S>	<C>	<C>	<C>	<C>
Fiscal Year Ended January 30, 1999				
Sales	$1,670,611	$1,475,705	$1,899,770	$2,
Gross Profit	388,015	354,925	475,913	
Net income	35,950	8,974(1)	69,186	
Pro forma net income	34,136(2)	8,974(1)	69,186	
Basic earnings per share				
Historical net income per common share	$ 0.09	$ 0.02	$ 0.16	$
Pro forma net income per common share	$ 0.08	$ 0.02	$ 0.16	$
Number of shares used in computing earnings per common share	419,027	423,959	426,184	
Diluted earnings per share				
Historical net income per common share	$ 0.08(3)	$ 0.02	$ 0.15(3)	$
Pro forma net income per common share	$ 0.08(3)	$ 0.02	$ 0.15(3)	$
Number of shares used in computing earnings per common share	461,616(3)	436,550	469,768(3)	

</TABLE>

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<TABLE>
<CAPTION>

<S>	FIRST QUARTER <C>	SECOND QUARTER <C>	THIRD QUARTER <C>	F Q <C>
	(In thousands, except per share amounts)			
FISCAL YEAR ENDED JANUARY 31, 1998				
Sales	$1,292,721	$1,192,339	$1,552,393	$1
Gross Profit	304,666	286,621	375,471	
Net income	19,777(1)	22,759(1)	52,030	
Pro forma net income	15,229(2)	19,577(2)	48,602(2)	
Basic earnings per common share				
Historical net income per common share..	$ 0.05	$ 0.06	$ 0.13	$
Pro forma net income per common share..	$ 0.04	$ 0.05	$ 0.12	$
Number of shares used in computing earnings per common share	403,570	405,233	409,231	
Diluted earnings per share				
Historical net income per common share..	$ 0.05	$ 0.05	$ 0.12(3)	$
Pro forma net income per common share..	$ 0.04	$ 0.05	$ 0.11(3)	$
Number of shares used in computing earnings per common share	416,026	418,787	452,352(3)	

</TABLE>

(1) Net income for the quarter ended August 1, 1998 includes a pre-tax charge of $41,000 resulting from costs incurred in connection with the merger with Quill Corporation. Net income for the quarters ended May 3, 1997 and August 2, 1997 include a pre-tax charge of $20,562 and $9,103, respectively, resulting from costs incurred in connection with the then proposed merger with Office Depot, Inc.

(2) Pro forma net income includes the earnings of Quill with provision for income taxes on previously untaxed earnings of pooled S-Corporation income.

(3) Earnings per share - assuming dilution is calculated considering the $300 million of 4 1/2% Convertible Subordinated Debentures as common stock equivalents for the quarters ended January 30, 1999, October 31, 1998, May 2, 1998, January 31, 1998, and November 1, 1997. The Debentures are not considered in the calculation of the earnings per share for the other quarters above as the effect is antidilutive.

(4) Net income for the quarter ended January 30, 1999 includes a pre-tax charge of $49,706 resulting from a store closure charge.

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NOTE K COMPUTATION OF EARNINGS PER COMMON SHARE

The computation of earnings per common share and earnings per common share - assuming dilution, for the fiscal years ended January 30, 1999, January 31, 1998 and February 1, 1997 is as follows (amounts in thousands, except for per share data):

<TABLE>
<CAPTION>

Historical Earnings Per Share	JANUARY 30, 1999	JANUARY 31, 1998	FEBRU 19
<S>	<C>	<C>	<C>
Numerator:			
Net income	$ 185,370	$ 167,914	$
Effect of dilutive securities:			
4 1/2% convertible debentures (1)	7,451	9,365	
Numerator for diluted earnings per common share - income available to common stockholders after assumed conversion	$ 192,821	$ 177,279	$
Denominator:			
Weighted-average shares	429,308,638	408,095,647	399,
Performance accelerated restricted stock	2,314	2,330	
Denominator for basic earnings per common share -- weighted-average shares	429,310,952	408,097,977	399,
Effect of dilutive securities:			
Incremental and windfall shares	12,648,979	12,769,769	14,
Performance accelerated restricted stock	208,300	209,592	
4 1/2% convertible debentures	25,856,165	30,681,819	30,
Dilutive potential common shares	38,713,444	43,661,180	44,
Denominator for diluted earnings per common share -- adjusted weighted-average shares and assumed conversions	468,024,396	451,759,157	444,
Basic earnings per common share	$ 0.43	$ 0.41	$
Diluted earnings per common share	$ 0.41	$ 0.39	$

</TABLE>

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<TABLE>
<CAPTION>

PRO FORMA EARNINGS PER SHARE	JANUARY 30, 1999	JANUARY 31, 1998	FEBRU 19
<S>	<C>	<C>	<C>
Numerator:			
Net income	$ 183,556	$ 153,128	$
Effect of dilutive securities:			
4 1/2% convertible debentures (1)	7,451	9,365	
Numerator for diluted earnings per common share - income available to common stockholders after assumed conversion	$ 191,007	$ 162,493	$
Denominator:			
Weighted-average shares	429,308,638	408,095,647	399,
Performance accelerated restricted stock	2,314	2,330	
Denominator for basic earnings per common share -- weighted-average shares	429,310,952	408,097,977	399,
Effect of dilutive securities:			
Incremental and windfall shares	12,648,979	12,769,769	14,
Performance accelerated restricted stock	208,300	209,592	
4 1/2% convertible debentures	25,856,165	30,681,819	30,
Dilutive potential common shares	38,713,444	43,661,180	44,
Denominator for diluted earnings per common share - adjusted weighted-average shares and assumed conversions	468,024,396	451,759,157	444,
Basic earnings per common share	$ 0.43	$ 0.38	$
Diluted earnings per common share	$ 0.41	$ 0.36	$

</TABLE>

(1) The 4 1/2% Debentures were substantially converted into common stock on December 2, 1998 (see Note D). For the computation of earnings per common share, this conversion of 30,674,276 shares is assumed to have occurred at the beginning of the fiscal year (February 1, 1998), and is included in the weighted-average shares outstanding for the year. Therefore, the

interest expense and amortization of deferred charges related to the 4 1/2% Debentures incurred by Staples through December 2, 1998, net of tax, is added back to reported net income to compute earnings per common share for each fiscal year presented above.

NOTE L BUSINESS ACQUISITIONS

On May 21, 1998, Staples acquired Quill. The Merger was structured as an exchange of shares in which the stockholders of Quill received approximately 26 million shares of Staples' common stock, at an exchange ratio established at a combination of fixed and variable prices, and cash paid to dissenting shareholder of approximately $48,000,000, which equates to a purchase price of approximately $690,000,000. The Merger was accounted for as a pooling of interests and, accordingly, Staples' consolidated financial statements have been restated to include the operations of Quill for all periods prior to the merger. The statements of income combine Staples' historical operating results for the fiscal years ended January 31, 1998 and February 1, 1997 with the

corresponding Quill operating results for the years ended December 31, 1997 and 1996 respectively. Prior to the acquisition, Quill elected to be taxed as an S Corporation under the Internal Revenue Code. Accordingly, the current taxable income of Quill was taxable to its shareholders who were responsible for the payment of taxes thereon. Quill will be included in Staples' U.S. federal income tax return subsequent to the date of the acquisition. Pro forma adjustments have been made to the restated statements of operations to reflect the income taxes that would have been provided had Quill been subject to income taxes.

In connection with the acquisition of Quill, Staples committed to a plan that results in the integration of the two businesses. As a result of the acquisition and integration plan, Staples recorded a charge to operating expense of $41,000,000 during the year ended January 30, 1999. These costs consist of direct merger-related and integration costs from the transaction. The merger transaction costs of approximately $10,500,000 consist primarily of fees for investment bankers, attorneys, accountants, and other related charges. The integration costs primarily include employee costs of approximately $7,000,000, contract and lease termination costs of approximately $14,100,000, the write-down of leasehold improvements of approximately $3,500,000 and other merger-related costs of approximately $5,900,000. Through January 30, 1999, Staples paid approximately $14,000,000, which consists primarily of transaction and employee related costs.

Separate net sales and net income of the merged entities prior to the merger are presented in the following table (in thousands):

	JANUARY 31,	FEBRUARY 1,

	1998	1997
Net sales:		
Staples	$5,181,035	$3,967,665
Quill	551,110	525,924
Combined .	$5,732,145	$4,493,589
Net income		
Staples	$ 130,949	$ 106,420
Quill	36,965	38,322
Combined .	$ 167,914	$ 144,742
Pro forma net income		
Staples	$ 130,949	$ 106,420
Quill(1)	22,179	22,993
Combined .	$ 153,128	$ 129,413

(1) Reflects adjustment for provision for income taxes on previously untaxed earnings.

NOTE M STORE CLOSURE CHARGE

In the fourth quarter of 1998, Staples committed to a plan to relocate certain stores which cannot be expanded and upgraded to Staples "Concept 97" model and reported a pre-tax store closure charge of $49,706,000. The charge includes $29,620,000 for future rental payments under operating lease agreements that will be paid after the store is closed, $4,966,000 in fees, settlement costs and other expenses related to store closure and $15,120,000 in asset impairment charges. Lease agreements for

the relocation sites will be executed during fiscal year 1999 and the stores will be closed and relocated during fiscal years 1999 and 2000.

As a result of Staples' commitment to exit these stores, the Company evaluated the long-lived assets at each location in accordance with FAS 121. The analysis indicated that the long-lived assets of the designated stores were impaired. Accordingly, Staples estimated the fair value of these assets based on discounted cash flows and recorded an impairment charge of $15,120,000, which is included in the store closure charge. Staples will continue to depreciate these assets based on their revised useful life.

NOTE N DESCRIPTION OF THE TYPES OF PRODUCTS AND SERVICES FROM WHICH EACH REPORTABLE SEGMENT DERIVES ITS REVENUES

Staples has three reportable segments: North America Retail, North America Delivery Operations, and European Operations. Staples' North America Retail division consists of two operating units that operate stores throughout the US and Canada. Staples' North America Delivery Operations division consists of four operating units that sell office products and supplies directly to businesses. The European Operations segment consists of two operating units which operate office supply stores and sell directly to businesses throughout the United Kingdom and Germany.

Measurement of Segment Profit or Loss and Segment Assets

Staples evaluates performance and allocates resources based on profit or loss from operations before income taxes, not including gains and losses on Staples' investment portfolio. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intersegment sales and transfers are recorded at Staples' cost, therefore there is no intercompany profit or loss recognized on these transactions.

Factors Management Used to Identify the Enterprise's Reportable Segments

Staples' reportable segments are business units that distribute office products in different manners. The reportable segments are each managed separately because they distribute products to different classes of customer with different distribution methods. The European operations are considered a separate operating segment because of the significant difference in the operating environment from the North American operations.

Information about Segment Profit/Loss and Segment Assets (in thousands)

Year ended January 30, 1999:
<TABLE>
<CAPTION>

<S>	N. AMERICA RETAIL <C>	N. AMERICA DELIVERY OPERATIONS <C>	EUROPEAN OPERATIONS <C>	ALL OTHER (1) <C>	TOTALS <C>
Revenues from external customers	$4,867,124	$ 1,914,975	$ 341,090	$ --	$7,123,1
Merger and store closure ..	49,706	41,000	--	--	90,7
Depreciation expense	67,208	5,164	6,818	--	79,1
Segment profit (loss)	381,900	118,548	(17,077)	(177,110)	306,2
Segment assets	2,886,114	448,452	162,693	--	3,497,2
Expenditures for long-lived assets	307,817	1,362	13,129	--	322,3

</TABLE>

(1) All other includes corporate general and administrative expenses.

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Year ended January 31, 1998:
<TABLE>
<CAPTION>

<S>	N. AMERICA RETAIL <C>	N. AMERICA DELIVERY OPERATIONS <C>	EUROPEAN OPERATIONS <C>	ALL OTHER (1) <C>	TOTAL <C>
Revenues from external customers	$3,854,745	$ 1,652,215	$ 225,185	$ --	$ 5,732,14
Merger expenses	--	--	--	29,665	29,66
Depreciation expense	52,479	3,908	4,358	--	60,74
Segment profit (loss)	319,939	112,031	(8,049)	(174,167)	249,75
Segment assets	2,432,696	386,053	130,088	--	2,948,83
Expenditures for long-lived assets	173,767	7,527	43,932	--	225,22

</TABLE>

(1) All other includes corporate general and administrative expenses and merger related costs in connection with the then proposed merger with Office Depot, Inc.

<TABLE>
<CAPTION>

ASSETS - - ------ <S>	JANUARY 30, 1999 <C>	JANUARY 31, 1998 <C>
Total assets for reportable segments	$ 3,497,259	$ 2,948,837
Elimination of intercompany receivables....	(89,664)	(114,504)
Elimination of intercompany investments....	(228,329)	(195,471)
Total consolidated assets....	$ 3,179,266	$ 2,638,862

</TABLE>

Geographic Information

Year ended January 30, 1999:

	REVENUES	LONG-LIVED ASSETS
North America	$6,782,099	$1,027,704
Europe	341,090	35,913
Consolidated Total	$7,123,189	$1,063,617

Year ended January 31, 1998:

	REVENUES	LONG-LIVED ASSETS
North America	$5,506,959	$762,371
Europe	225,186	30,888
Consolidated Total	$5,732,145	$793,259

NOTE O GUARANTOR SUBSIDIARIES

The 7.125% senior notes due August 15, 2007 and the obligations under the $350,000,000 revolving credit facility effective through November, 2002 with a syndicate of banks are fully and unconditionally guaranteed on an unsecured, joint and several basis by certain wholly owned subsidiaries of Staples (the "Guarantor Subsidiaries"). The following condensed consolidating financial data illustrates the composition of Staples, Inc. (the "Parent Company"), Guarantor Subsidiaries, and non-guarantor subsidiaries as of and for the year ended January 30, 1999. Prior to February 1, 1998 the Company's debt was registered with Staples, Inc., which held the assets and operations that guaranteed the related debt, therefore the consolidated financial statements represent those of Staples and separate disclosure is not necessary for the years ended January 31, 1998 and February 1, 1997. The non-guarantor subsidiaries represent more than an inconsequential portion of the consolidated assets and revenues of Staples.

Separate complete financial statements of the respective Guarantors Subsidiaries would not provide additional information which would be useful in assessing the financial condition of the Guarantor Subsidiaries and thus, are not presented.

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' investment in subsidiaries and intercompany balances and transactions.

Condensed Consolidated Statement of Income
For the year ended January 30, 1999
(in thousands)
<TABLE>
<CAPTION>

	STAPLES, INC (PARENT CO.)	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	CONSOLIDATED
<S>	<C>	<C>	<C>	<C>
Sales	$ --	$ 5,428,414	$ 1,694,775	$ 7,123,189
Cost of goods sold and occupancy costs	1,477	4,079,847	1,284,478	5,365,802
Gross profit	(1,477)	1,348,567	410,297	1,757,387
Operating and other expenses ...	30,096	1,106,734	314,296	1,451,126
Income before income taxes	(31,573)	241,833	96,001	306,261
Provision for income taxes	24,057	(98,808)	(46,275)	(121,026)
Minority interest	--	--	135	135
Net income	$ (7,516)	$ 143,025	$ 49,861	$ 185,370

</TABLE>

Condensed Consolidating Balance Sheet
As of January 30, 1999
(in thousands)
<TABLE>
<CAPTION>

	STAPLES, INC (PARENT CO.)	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLI
<S>	<C>	<C>	<C>	<C>	<C>
Cash, cash equivalents and short-term investments ..	$ 219,426	$ 16,348	$ 139,647	$ --	$ 37
Merchandise inventories ...	(5,561)	1,095,906	250,087	--	1,34
Other current assets and Intercompany	780,629	396,920	552,395	(1,381,697)	34
Total current assets	994,494	1,509,174	942,129	(1,381,697)	2,06
Net property, equipment and other assets	271,129	710,049	362,178	(228,190)	1,11
Total assets	$ 1,265,623	$2,219,223	$1,304,307	$(1,609,887)	$ 3,17

Total current liabilities .	$ 86,206	$ 830,728	$ 266,789	$ 81,609	1,26
Total long-term liabilities	7,581	237,128	12,339	--	25
Total stockholders' equity	1,171,836	1,151,367	1,025,179	(1,691,496)	1,65
Total liabilities and stockholders' equity	$ 1,265,623	$2,219,223	$1,304,307	$(1,609,887)	$ 3,17

</TABLE>

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Condensed Consolidated Statement of Cash Flows
For the year ended January 30, 1999
(in thousands)
<TABLE>
<CAPTION>

<S>	STAPLES, INC (PARENT CO.) <C>	GUARANTOR SUBSIDIARIES <C>	NON-GUARANTOR SUBSIDIARIES <C>	CONSOLIDATED <C>
Net cash (used in)/provided by operating activities	$(136,712)	$ 336,445	$ 178,603	$ 378,336
Investing Activities:				
Acquisition of property, equipment and lease rights.........	(62,535)	(261,575)	(35,380)	(359,490)
Other	211,299	(66,776)	(152,940)	(8,417)
Cash (used in)/provided by investing Activities	148,764	(328,351)	(188,320)	(367,907)
Financing Activities:				
Payments on borrowings	(393,713)	--	(23,610)	(417,323)
Other	411,835	--	(27,476)	384,359
Cash provided by/(used) in financing activities	18,122	--	(51,086)	(32,964)
Effect of exchange rate changes on cash	--	--	(560)	(560)
Net (decrease) increase in cash	30,174	8,094	(61,363)	(23,095)
Cash and cash equivalents at beginning of period	189,252	8,253	183,583	381,088
Cash and cash equivalents at end of period	$ 219,426	$ 16,347	$ 122,220	$ 357,993

</TABLE>

NOTE P SUBSEQUENT EVENTS

On February 26, 1999, Staples completed the acquisition of Claricom Holdings, Inc. and certain related entities ("Claricom") for a purchase price of approximately $140,000,000. The acquisition will be accounted for using the purchase method. Claricom is a full-service supplier of telecommunications services to small and medium sized businesses in the United States.

On March 4, 1999 the Board of Directors approved a stock repurchase program intended to provide shares for employee stock programs. Staples expects to repurchase approximately six million shares annually.

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EXHIBIT INDEX

EXHIBIT		DESCRIPTION OF EXHIBIT
3.1	--	Amended and Restated Certificate of Incorporation of the Company
3.2(1)	--	Amended and Restated By-laws of the Company
4.2	--	Rights Agreement, dated as of February 3, 1994, between Staples and BankBoston, N.A., as amended
4.3(2)	--	Indenture dated as of August 12, 1997 for the $200,000,000 7.125% Senior Notes due August 15, 2007, between Staples and The Chase Manhattan Bank
*10.1	--	Amended and Restated 1990 Director Stock Option Plan
*10.2(3)	--	Amended and Restated 1992 Equity Incentive Plan
*10.3(4)	--	1997 United Kingdom Company Share Option Scheme
*10.4(4)	--	Executive Officer Incentive Plan
10.5(5)	--	Revolving Credit Agreement dated as of November 13, 1997, between Staples and BankBoston, N.A. and the banks named therein
*10.6(6)	--	Form of Agreement Not To Compete signed by executive officers of the Company
*10.7(6)	--	Form of Proprietary and Confidential Information Agreement signed by executive officers of the Company
*10.8(7)	--	Form of Severance Benefits Agreement signed by executive officers of the Company
12.1	--	Computation of Ratio of Earnings to Fixed Charges
21.1	--	Subsidiaries of the Company
23.1	--	Consent of Ernst & Young LLP, Independent Auditors
23.2	--	Consent of Independent Auditor Kupferberg, Goldberg & Neimark, LLC
27.1	--	Financial Data Schedule for Fiscal Year 1998

27.2	--	Financial Data Schedule for 1st Quarter 1998 Restated
27.3	--	Financial Data Schedule for 2nd Quarter 1998 Restated
27.4	--	Financial Data Schedule for 3rd Quarter 1998 Restated
27.5	--	Financial Data Schedule for Fiscal Year 1997 Restated
27.6	--	Financial Data Schedule for 1st Quarter 1997 Restated
27.7	--	Financial Data Schedule for 2nd Quarter 1997 Restated
27.8	--	Financial Data Schedule for 3rd Quarter 1997 Restated
27.9	--	Financial Data Schedule for Fiscal Year 1996 Restated
27.10	--	Financial Data Schedule for 1st Quarter 1996 Restated
27.11	--	Financial Data Schedule for 2nd Quarter 1996 Restated
27.12	--	Financial Data Schedule for 3rd Quarter 1996 Restated
99.1	--	Independent Auditors' Report of Kupferberg, Goldberg & Neimark, LLC

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* Management contract or compensatory plan or arrangement filed as an exhibit to this Form pursuant to Items 14(a) and 14(c) of Form 10-K.

(1) Incorporated by reference from the Quarterly Report on Form 10-Q for the quarter ended May 3, 1997.

(2) Incorporated by reference from the Registration Statement on Form S-3 (File No. 333-31249).

(3) Incorporated by reference from the Registration Statement on Form S-8 (File No. 333-36715).

(4) Incorporated by reference from the Annual Report on Form 10-K for the fiscal year ended January 31, 1998.

(5) Incorporated by reference to the Quarterly Report on Form 10-Q for the quarter ended November 1, 1997.

(6) Incorporated by reference to the Quarterly Report on Form 10-Q for the quarter ended April 29, 1995.

(7) Incorporated by reference from the Annual Report on Form 10-K for the fiscal year ended February 3, 1996.

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<SEQUENCE>2
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EXHIBIT 3.1

RESTATED

CERTIFICATE OF INCORPORATION

OF

STAPLES, INC.

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

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 one billion five million (1,005,000,000) shares, consisting of one billion (1,000,000,000) 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. The Board of Directors is authorized, subject to limitations prescribed by law and this Amended and Restated Certificate of Incorporation, to divide the Preferred Stock into series and to establish and designate each series and fix and determine the variations in the relative rights and preferences as between the different series, provided that all shares of the Preferred Stock shall be identical except that the Board of Directors shall be authorized to fix and determine:

(a) the number of shares in and the distinctive designation of each series;

(b) whether or not the shares of any series shall be redeemable and, if so, the price (which may vary under different conditions and at different redemption dates), terms and manner of redemption, including the date or dates on or after which they shall be redeemable;

(c) special and relative rights as to dividends with respect to each series, including without limitation the dividend rate, conditions under which dividends may be payable, dividend preferences, if any, and whether and from which date or dates dividends may be cumulative;

(d) special and relative rights with respect to each series on liquidation, voluntary or involuntary, including dissolution or winding up of the Corporation;

(e) any sinking fund or purchase fund provisions applicable to any series, including without limitation the annual amount thereof and the terms relating thereto;

(f) conversion rights, if any, of each series including the terms and conditions of conversion, which may contain provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine; and

(g) conditions under which the separate series shall have voting rights or no voting rights, in addition to the voting rights provided by law.

Prior to the issue of any shares of a series established by the Directors, there shall be filed with the Secretary of State of the State of Delaware a certificate required by law setting forth the designation of the series, its relative rights and preferences and any other information required by law.

(c) SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Certificate of Incorporation (as amended to date, the "Certificate of Incorporation"), the Board of Directors hereby creates a series of Preferred Stock, $.01 par value per share (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences and limitations thereof as follows:

SECTION 1. DESIGNATION AND AMOUNT.

The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 1,000,000. 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 $.0006 per share (the "Common Stock"), 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.

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SECTION 3. VOTING RIGHTS.

The holders of shares of Series A Preferred Stock shall have the following voting rights:

(a) Subject to the provision 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 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, dissolution

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 cancelled 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 Restated Certificate of Incorporation, as amended, 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 Amended and 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.

ARTICLE XII

CERTAIN STOCKHOLDER ACTION

The following actions shall require the affirmative vote of two-thirds of the stock of this Corporation outstanding and entitled to vote thereon: the sale, lease or exchange of all or substantially all of this Corporation's property and assets; the merger or consolidation of this Corporation with or into any other corporation or entity; the dissolution of this Corporation; and the amendment or repeal of this Article XII or the adoption of any provision inconsistent with this Article XII.

This Amended and 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.

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EXHIBIT 4.2

STAPLES, INC.

AMENDMENT NO. 1 TO RIGHTS AGREEMENT

THIS AMENDMENT NO. 1, executed as of March 26, 1999, is made to the RIGHTS AGREEMENT, dated as of February 3, 1994 (the "Agreement"), between Staples, Inc., a Delaware corporation (the "Company"), and BankBoston, N.A., a national banking association, as Rights Agent (the "Rights Agent").

In accordance with the provisions of Section 27 of the Agreement, the Agreement is hereby amended as follows:

1. Section 11(a)(ii)(B) is amended to read in its entirety as follows:

(B) any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan), alone or together with its Affiliates and Associates, shall, at any time after the Record Date, become the Beneficial Owner of 25% or more of the shares of Common Stock then outstanding, unless the event causing the 25% threshold to be crossed is a transaction set forth in Section 13(a) hereof, or is an acquisition of shares of Common Stock pursuant to a tender offer or an exchange offer for all outstanding shares of Common Stock at a price and on terms determined by at least a majority of the members of the Board of Directors who are not officers of the Company and who are not representatives, nominees, Affiliates or Associates of the Person making such offer, after receiving advice from a nationally recognized investment banking firm selected by the Board of Directors of the Company, to be (a) at a price that is fair to stockholders (taking into account all factors which such members of the Board deem relevant including, without limitation, prices which could reasonably be achieved if the Company or its assets were sold on an orderly basis designed to realize maximum value) and (b) otherwise in the best interests of the Company and its stockholders, or

2. *The first sentence of Section 23(a) is amended to read in its entirety as follows:*

The Board of Directors of the Company may, at its option, at any time prior to the earlier of (i) the close of business on the tenth day following the Stock Acquisition Date (or, if the Stock Acquisition Date shall have occurred prior to the Record Date, the close of business on the tenth day following the Record Date), or (ii) the Final Expiration Date, redeem all

but not less than all the then outstanding Rights at a redemption price of $.02 per Right, as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after February 3, 1994 (such redemption price being hereinafter referred to as the "Redemption Price") and the Company may, at its option, pay the Redemption Price either in shares of Common Stock (based on the "current market price", as defined in Section 11(d)(i) hereof, of the shares of Common Stock at the time of redemption) or cash; PROVIDED, HOWEVER, that notwithstanding the foregoing if, following the occurrence of a Stock Acquisition Date and following the expiration of the right of redemption set forth above in this Section 23(a) but prior to any Triggering Event, either (i) (A) a Person who is an Acquiring Person shall have transferred or otherwise disposed of a number of shares of Common Stock in one transaction or series of transactions, not directly or indirectly involving the Company or any of its Subsidiaries, which did not result in the *occurrence of a Triggering Event* such that such Person is thereafter a Beneficial Owner of 10% or less of the outstanding shares of Common Stock, and (B) there are no other Persons, immediately following the occurrence of the event described in clause (A), who are Acquiring Persons, and (C) a majority of the members of the Board of Directors approve the reinstatement of the right of redemption pursuant to this Section 23, or (ii) (A) the Board approves the consolidation, merger or other combination of the Company with or into, or the sale or other transfer *(either by the Company* or one or more of its Subsidiaries), in one transaction or a series of related transactions, of more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole), to a Person other than the Acquiring Person (or any Associate or Affiliate of such Acquiring Person) who caused the occurrence of such Stock Acquisition Date, and (B) the Board of Directors of the Company, as part of the approval of such an event described in the preceding clause (ii) (A), approves the reinstatement of the right of redemption pursuant to this Section 23, then, in either such case, the right of redemption shall be reinstated and thereafter be subject to the provisions of this Section 23.

3. The last sentence of Section 24(a) is deleted.

4. The second sentence of Section 27 is amended to read in its entirety as

follows:

From and after the Distribution Date and subject to the penultimate sentence of this Section 27, the Company and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Rights Certificates in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder (which shortening or lengthening shall require the concurrence of a majority of the members of the Board of Directors), or (iv) to change or supplement the provisions hereunder in any manner which the Company may deem necessary or desirable and which shall not adversely affect the interests of the holders of Rights Certificates (other than an Acquiring Person or an Affiliate or

Associate of an Acquiring Person); PROVIDED, this Agreement may not be supplemented or amended to lengthen, pursuant to clause (iii) of this sentence, (A) a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable, or (B) any other time period unless such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, and/or the benefits to, the holders of Rights.

This Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

Attest:	STAPLES, INC.
By: ------------------------------	By: ------------------------------
Name:	Name:
Title:	Title:
Attest:	[ ]

By: ______________________________ By: ______________________________

Name: Name:
Title: Title:

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EXHIBIT 10.1

STAPLES, INC.

AMENDED AND RESTATED 1990 DIRECTOR STOCK OPTION PLAN

1. PURPOSE.

The purpose of this Amended and Restated 1990 Director Stock Option Plan (the "Plan") of Staples, Inc. (the "Company") is to encourage ownership in the Company by the Company's outside directors, whose continued services the Company considers essential to its future progress, and to provide these individuals with a further incentive to remain as directors of the Company.

2. ADMINISTRATION.

The Board of Directors shall supervise and administer the Plan. Grants of stock options ("Options") and awards of performance accelerated restricted stock ("PARS") under the Plan and the amount and nature of the Options and PARS to be granted shall be made in accordance with Section 4. All questions concerning interpretation of the Plan or any Options or PARS issued under it shall be resolved by the Board of Directors and such resolution shall be final and binding upon all persons having an interest in the Plan.

3. PARTICIPATION IN THE PLAN.

Directors of the Company who are not employees of the Company or any subsidiary of the Company ("outside directors") shall be eligible to receive Options and PARS under the Plan.

4. TERMS, CONDITIONS AND FORM OF OPTIONS AND PARS.

All Options and PARS granted under the Plan shall be evidenced by a written agreement in such form as the Board of Directors shall from time to time approve, which agreements shall comply with and be subject to the following terms and conditions:

(a) GRANTS OF OPTIONS AND PARS.

(i) INITIAL OPTION GRANT. An Option to purchase 15,000 shares of common stock, par value $.0006 per share (the "Common Stock"), shall be granted automatically to outside directors who are initially elected to the Board of Directors subsequent to the approval of the Plan by the Company's stockholders at the close of business on the date of such director's initial election to the Board of Directors.

(ii) ANNUAL OPTION GRANTS. On the date of the first regularly scheduled Board of Directors meeting following the end of each fiscal year of the Company, commencing with the fiscal year ending January 30, 1999, an Option shall be granted automatically to each outside director to purchase a number of shares of Common Stock equal to 3,000 multiplied by the number of regularly scheduled meeting days of the Board of Directors attended by such director in the previous 12 months (up to a maximum of 15,000 shares).

(iii) ANNUAL AWARDS OF PARS. At the first regularly scheduled Board of Directors meeting following the end of each fiscal year of the Company, at which performance targets are established for PARS awarded to executive officers of the Company, but no later than July 31 of each year, (each, an "Award Date), (x) the Company shall grant to each outside director 400 PARS for each regularly scheduled meeting day of the Board of Directors attended by such director in the previous 12 months (up to a maximum of 2,000 PARS) and (y) in addition, the Company shall grant to the Lead Director and the Chairman of each of the Audit, Compensation, and Governance Committee of the Board of Directors 200 PARS for each regularly scheduled meeting day of the Board of Directors attended by such director in the previous 12 months (up to a maximum of 1,000 PARS).

(b) TERMS OF OPTIONS.

(i) OPTION EXERCISE PRICE. The option exercise price per share for each Option granted under the Plan shall be equal to the last reported sale price per share of the Company's Common Stock on the Nasdaq National Market on the date of grant (or, if no such price is reported on such date, such price as reported on the nearest preceding date).

(ii) NATURE OF OPTIONS. All Options granted under the Plan shall be nonstatutory options not entitled to special tax treatment under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

(iii) VESTING. Except as otherwise provided in the Plan, each Option shall become exercisable, on a cumulative basis, in four equal annual installments on each of the first, second, third and fourth anniversary dates of its date of grant, provided the optionee continues to serve as a director of the Company on such dates. Notwithstanding the foregoing, each outstanding Option shall immediately become exercisable in full in the event (A) a Change in Control (as defined in Section 8) of the Company occurs or (B) the optionee ceases to serve as a director of the Company due to his or her death, disability (within the meaning of Section 22(e)(3) of the Code or any successor provision) or retires pursuant to a retirement policy adopted by the Company.

(iv) OPTION EXERCISE PROCEDURE. An Option may be exercised only by written notice to the Company at its principal office accompanied by

payment in cash of the full consideration for the shares as to which the Option is exercised.

(v) TERMINATION. Each Option shall terminate, and may no longer be exercised, on the date six months after the optionee ceases to serve as a director of the Company; provided that, in the event (A) an optionee ceases to serve as a director due to his or her death or disability (within the meaning of Section 22(e)(3) of the Code or any successor provision), or (B) an optionee dies within six months after he or she ceases to serve as a director of the Company, then the exercisable portion of the Option may be exercised, within the period of one year following the date the optionee ceases to serve as a director, by the optionee or by the person to whom the Option is transferred by will, by the laws of descent and distribution, or by written notice pursuant to Section 4(h). Notwithstanding the foregoing, each Option shall terminate, and may no longer be exercised, on the date 10 years after the date of grant.

(vi) OPTIONS NONTRANSFERABLE. Except as otherwise provided by the Board of Directors, each Option granted under the Plan by its terms shall not be transferable by the optionee otherwise than by will or the laws of descent and distribution, and shall be exercised during the lifetime of the optionee only by the optionee or his or her legal representative. No Option or interest therein may be transferred, assigned, pledged or hypothecated by the optionee during his or her lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

(vii) OPTION EXERCISE BY REPRESENTATIVE FOLLOWING DEATH OF

DIRECTOR. An optionee, by written notice to the Company, may designate one or more persons (and from time to time change such designation), including his or her legal representative, who, by reason of the optionee's death, shall acquire the right to exercise all or a portion of the Option. If the person or persons so designated wish to exercise any portion of the Option, they must do so within the term of the Option as provided herein. Any exercise by a representative shall be subject to the provisions of the Plan.

(c) TERMS OF PARS.

(i) NATURE OF PARS. All PARS hereunder shall consist of the issuance by the Company of shares of Common Stock, and the purchase by the recipient thereof of such shares, subject to the terms, conditions and restrictions described in the document evidencing the PARS and in this Plan.

(ii) EXECUTION OF PARS AGREEMENT. The Company shall, upon the date of the PARS grant, issue the shares of Common Stock subject to the PARS by registering such shares in book entry form with the Company's transfer agent in the name of the recipient. No certificate(s) representing all or a part of

such shares shall be issued until the conclusion of the vesting period described in paragraph (iv) below.

(iii) PRICE. Except as otherwise determined by the Board of Directors, all PARS issued hereunder shall be issued without the payment of any cash purchase price by the recipients (in which case the "price per share originally paid" for purposes of clause (2) of paragraph (v) below shall be zero).

(iv) VESTING. Except as otherwise provided in the Plan, the restrictions on transfer and the forfeiture provisions of each PARS shall lapse on the same basis as PARS that have been awarded to the Company's executive officers for the fiscal year in which the Award Date relating to such PARS occurs. If no PARS have been awarded to any executive officer of the Company during the six months preceding an Award Date, then the restrictions on transfer and the forfeiture provisions of all PARS granted pursuant to this Plan on such Award Date shall lapse on such terms as shall be determined by the Board of Directors. Notwithstanding the foregoing, the restrictions on transfer and the forfeiture provisions of all PARS granted under this Plan shall immediately lapse in the event (A) a Change in Control of the Company occurs, or (B) the recipient ceases to serve as a director of the Company due to his or her death, disability (within the meaning of Section 22(e)(3) of the Code or any successor provision) or retires pursuant to a retirement policy adopted by the Company.

(v) RESTRICTIONS ON TRANSFER. In addition to such other terms, conditions and restrictions on PARS contained in the Plan or the applicable PARS Agreement, all PARS shall be subject to the following restrictions:

(1) No PARS shall be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of until they become vested pursuant to paragraph (iv) above. The period during which such restrictions are applicable is referred to as the "Restricted Period."

(2) Except as set forth in the last sentence of paragraph (iv) above, if a recipient ceases to be a director of the Company within the Restricted Period for any reason, the Company shall have the right and option for a period of three months following the date of such cessation to buy for cash that number of PARS as to which the restrictions on transfer and the forfeiture provisions contained in the PARS have not then lapsed, at a price equal to the price per share originally paid by the recipient. If such cessation occurs within the last three months of the applicable Restricted Period, the restrictions and repurchase rights of the Company shall continue to apply until the

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<PAGE> 5

expiration of the Company's three month option period.

(3) Notwithstanding subparagraphs (1) and (2) above, the Board of Directors may, in its discretion, either at the time that PARS are awarded or at any time thereafter, waive the Company's right to repurchase shares of Common Stock upon the occurrence of any of the events described in this paragraph (iv) or remove or modify any part or all of the restrictions. In addition, the Board of Directors may, in its discretion, impose

upon the recipient of PARS at the time that such PARS are granted such other restrictions on any PARS as the Board of Directors may deem advisable.

(vi) ADDITIONAL SHARES. Any shares received by a recipient of PARS as a stock dividend on, or as a result of stock splits, combinations, exchanges of shares, reorganizations, mergers, consolidations or otherwise with respect to such PARS shall have the same status and shall bear the same restrictions, all on a proportionate basis, as the shares initially subject to such PARS.

(vii) TRANSFERS IN BREACH OF PARS. If any transfer of PARS is made or attempted contrary to the terms of the Plan and of such PARS, the Board of Directors shall have the right to purchase for the account of the Company those shares from the owner thereof or his or her transferee at any time before or after the transfer at the price paid for such shares by the person to whom they were awarded under the Plan. In addition to any other legal or equitable remedies which it may have, the Company may enforce its rights by specific performance to the extent permitted by law. The Company may refuse for any purpose to recognize as a shareholder of the Company any transferee who receives any shares contrary to the provisions of the Plan and the applicable PARS or any recipient of PARS who breaches his or her obligation to resell shares as required by the provisions of the Plan and the applicable PARS, and the Company may retain and/or recover all dividends on such shares which were paid or payable subsequent to the date on which the prohibited transfer or breach was made or attempted.

(VIII) ADDITIONAL PARS PROVISIONS. The Board of Directors may, in its sole discretion, include additional provisions in any PARS granted under the Plan.

5. LIMITATION OF RIGHTS.

(a) NO RIGHT TO CONTINUE AS A DIRECTOR. Neither the Plan, nor the granting of an Option or PARS nor any other action taken pursuant to the Plan, shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will retain the optionee or recipient of PARS as a director for any period of time.

(b) RIGHTS AS A STOCKHOLDER.

(i) OPTIONS. An optionee shall have no rights as a stockholder with respect to the shares covered by his or her Option until the date of the issuance to him or her of a stock certificate therefor, and no adjustment will be made for dividends or other rights (except as provided in Section 6) for which the record date is prior to the date such certificate is issued.

(ii) PARS. Subject to the limitations set forth in Section 4(c) and except as otherwise provided herein, a recipient of PARS shall have all rights as a shareholder with respect to the shares subject to such PARS including, without limitation, any rights to receive dividends or non-cash distributions with respect to such shares and to vote such shares and act in respect of such shares at any meeting of shareholders.

6. ADJUSTMENT PROVISIONS FOR RECAPITALIZATIONS AND RELATED TRANSACTIONS.

(a) If, through or as a result of any merger, consolidation, sale of all or substantially all of the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar transaction, (i) the outstanding shares of Common Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or (ii) additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Common Stock or other securities, except as otherwise determined by the Board of Directors, an appropriate and proportionate adjustment shall be made in (x) the number and kind of shares of Common Stock subject to Options and PARS to be granted to outside directors after such event pursuant to Section 4(a), (y) the number and kind of shares subject to then outstanding Options and PARS under the Plan, and (z) the price for each share subject to any then outstanding Options under the Plan, without changing the aggregate purchase price as to which such Options remain exercisable. No fractional shares will be issued under the Plan on account of any such adjustments.

(b) All share numbers herein have been adjusted to reflect the three-for-two stock split declared on November 12, 1998.

7. MERGERS, CONSOLIDATIONS, ASSET SALES, LIQUIDATIONS, ETC.

Subject to the provisions of Section 4(b)(iii) and 4(c)(iv), in the event of a merger or consolidation or sale of all or substantially all of the assets of the Company in which outstanding shares of Common Stock are exchanged for securities, cash or other property of any other corporation or business entity or in the event of a liquidation of the Company, the Board of Directors of the Company, or the board of directors of any corporation assuming the obligations of the Company, shall take one or more of the following actions, as to outstanding Options: (i) provide that such Options shall be assumed, or equivalent Options shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof); (ii) upon written notice to the optionees, provide that all unexercised Options shall (A) immediately become exercisable in full and (B) terminate immediately prior to the consummation of such transaction unless exercised by the optionee within a specified period following the date of such notice; or (iii) in the event of a merger under the terms of which holders of the Common Stock of the Company will receive upon consummation thereof a cash payment for each share surrendered in the merger (the "Merger Price"), make or provide for a cash payment to the optionees equal to the difference between (A) the Merger Price times the number of shares of Common Stock subject to such outstanding Options (to the extent then exercisable) with exercise prices not in excess of the Merger Price and (B) the aggregate exercise price of all such Options, in exchange for the termination of such Options.

8. CHANGE IN CONTROL.

For purposes of the Plan, a "Change in Control" shall be deemed to have occurred if (i) any "person", as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities (other than pursuant to a merger or consolidation described in clause (A) or (B) of subsection (iii) below); (ii) during any period of two consecutive years ending during the term of the Plan (not including any period prior to the adoption of the Plan), individuals who at the beginning of such period constitute the Board of Directors of the Company, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect any transaction described in clause (i), (iii) or (iv) of this Section 8) whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were either directors at the beginning of the period or whose election or nomination for election was previously so approved (collectively, the "Disinterested Directors"), cease for any reason to constitute a majority of the Board of Directors; (iii) the closing of a merger or consolidation of the Company or any subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as defined above) acquires more than 30% of the combined voting power of the Company's then outstanding securities; or (iv) a complete liquidation of the Company or a sale by the Company of all or substantially all of the Company's assets.

9. MODIFICATION, EXTENSION AND RENEWAL OF OPTIONS AND PARS.

The Board of Directors shall have the power to modify or amend outstanding Options and PARS; provided, however, that no modification or amendment may (i) have the effect of altering or impairing any rights or obligations of any Option or PARS previously granted without the consent of the optionee or holder thereof, as the case may be, or (ii) modify the number of shares of Common Stock subject to the Option or PARS (except as provided in Section 6).

10. AMENDMENT OF THE PLAN.

The Board of Directors may suspend or discontinue the Plan or amend it in any respect whatsoever; provided, however, that without approval of the stockholders of the Company, no amendment may (i) materially modify the requirements as to eligibility to receive Options or PARS under the Plan, or (ii) materially increase the benefits accruing to participants in the Plan.

11. WITHHOLDING.

(a) The Company shall have the right to deduct from payments of any kind otherwise due to the optionee or recipient of PARS any federal, state or local taxes of any kind required by law to be withheld with respect to any shares issued upon exercise of Options under the Plan or upon the expiration or termination of the Restricted Period relating to the PARS. Subject to the prior approval of the Company, the optionee or recipient of PARS may elect to satisfy such obligations, in whole or in part, (i) by causing the Company to withhold shares of Common Stock otherwise issuable pursuant to the exercise of an Option or upon the expiration or termination of the Restricted Period relating to

<PAGE> 9

the PARS or (ii) by delivering to the Company shares of Common Stock already owned by the optionee or PARS recipient. The shares so delivered or withheld shall have a fair market value equal to such withholding obligation. The fair market value of the shares used to satisfy such withholding obligation shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined. An optionee or PARS recipient who has made an election pursuant to this Section 11(a) may only satisfy his or her withholding obligation with shares of Common Stock which are not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(b) If the recipient of PARS under the Plan elects, in accordance with Section 83(b) of the Code, to recognize ordinary income in the year of acquisition of any shares awarded under the Plan, the Company will require at the time of such election an additional payment for withholding tax purposes based on the difference, if any, between the purchase price of such shares and the fair market value of such shares as of the date immediately preceding the date on which the PARS are awarded.

12. NOTICE.

Any written notice to the Company required by any of the provisions of the Plan shall be addressed to the Treasurer of the Company and shall become effective when it is received.

13. GOVERNING LAW.

The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Delaware.

14. STOCKHOLDER APPROVAL.

The Plan is conditional upon stockholder approval of the Plan, and the Plan shall be null and void if the Plan is not so approved by the Company's stockholders.

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STAPLES, INC. AND SUBSIDARIES
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STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

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Consolidated pre-tax income prior to extraordinary items	$32,352	$63,905	$119,845	$173,041	$212,789	$397,
Interest portion of rental expense	16,529	23,569	31,538	40,815	56,234	69,
Net interest expense, including amortization of deferred issuance costs	7,093	11,037	31,353	53,458	33,947	31,
Less: interest capitalized				(611)	(1,387)	(2,
Earnings	$55,974	$98,511	$182,736	$266,703	$301,583	$495,
Interest portion of rental expense	$16,529	$23,569	$ 31,538	$ 40,815	$ 56,234	$ 69,
Net interest expense, including amortization of deferred issuance costs	7,093	11,037	31,353	53,458	33,947	31,
Fixed Charges	$23,622	$34,606	$ 62,891	$ 94,273	$ 90,181	$100,
Ratio of Earnings to Fixed Charges	2.37	2.85	2.91	2.83	3.34	4

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EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

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Subsidiary	Jurisdiction of Incorporation	Name Under Which They Do Business
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Staples Security Corporation	Massachusetts	Same
Staples Trust Company	Massachusetts	Same
Staples Contract & Commercial, Inc.	Delaware	Same
SOM Hagerstown, Inc.	Delaware	Same
Staples Insurance Agency, Inc.	Delaware	Same
Staples International, Inc.	Delaware	Same
Staples of Maryland, LLC	Delaware	Same
Staples the Office Superstore, Inc.	Delaware	Same
Staples the Office Superstore East, Inc.	Delaware	Same
Staples Connecticut, Inc.	Connecticut	Same
Staples NRO Limited	Ontario, Canada	Same

Staples NRO(2) Limited	Ontario, Canada	Same
Staples NRO(3) Limited	Ontario, Canada	Same
Staples NRO(4) Limited	Ontario, Canada	Same
Staples NRO(5) Limited	Ontario, Canada	Same
The Business Depot, Ltd.	Ontario, Canada	The Business Depot Staples The Business Depot Staples The Office Superstore Bureau en Gross
Staples (Deutschland) GmbH	Germany	Same
Staples (Europe) Limited	England	Same
Staples (UK) Limited	England	Same

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SUBSIDIARIES OF THE COMPANY - CONT'D

Staples UK (Partnership)	England	Same
Quill Corporation	Delaware	Same
Milbro, Inc.	Delaware	Same
Staples GP, LLC	Delaware	Same
Agawam Mill, LP	Delaware	Same
Cherokee Mill, LP	Delaware	Same
Coppell Mill, LP	Delaware	Same
Lebanon Mill, LP	Delaware	Same
Staples Partners, LLC	Delaware	Same
Staples Real Estate Trust	Massachusetts	Same

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EXHIBIT 23.1

CONSENT OF ERNST & YOUNG, LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Forms S-3 No. 333-31249 and 333-62939 and Forms S-8 No. 33-38304, 33-52228, 33-52226, 33-68076, 33-81284, 33-79496, 333-36713, 333-36715, 333-39991, 333-39993, 333-64545 and 333-73383) of Staples, Inc. and in the related Prospectus of our report dated March 4, 1999, with respect to the consolidated financial statements of Staples, Inc. included in this Annual Report (Form 10-K) for the year ended January 30, 1999.

/s/ Ernst & Young Llp
- - ---------------------------------
ERNST & YOUNG LLP

Boston, Massachusetts
March 30, 1999

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EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITOR

We consent to the incorporation by reference in the Registration Statements (Forms S-3 No. 333-31249 and 333-62939 and Forms S-8 No. 33-38304, 33-52228, 33-52226, 33-68076, 33-81284, 33-79496, 333-36713, 333-36715, 333-39991, 333-39993, 333-64545 and 333-73383) of Staples, Inc. and in the related Prospectus of our report dated February 24, 1998, with respect to the consolidated financial statements of Quill Corporation and Subsidiary as of December 31, 1997 and for each of the two years in the period ended December 31, 1997 included in this Annual Report (Form 10-K) for the year ended January 30, 1999.

/s/ Kupferberg, Goldberg & Neimark, LLC
- - ---
KUPFERBERG, GOLDBERG & NEIMARK, LLC

March 30, 1999

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF STAPLES, INC. FOR THE TWELVE MONTHS ENDED JANUARY 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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<BONDS> 205,015
<PREFERRED-MANDATORY> 0
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<COMMON> 277
<OTHER-SE> 1,656,609
<TOTAL-LIABILITY-AND-EQUITY> 3,179,266
<SALES> 7,123,189
<TOTAL-REVENUES> 7,123,189
<CGS> 5,365,802
<TOTAL-COSTS> 6,389,650
<OTHER-EXPENSES> 409,908
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> 17,370
<INCOME-PRETAX> 306,261
<INCOME-TAX> 121,026
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<DISCONTINUED> 0
<EXTRAORDINARY> 0
<CHANGES> 0
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<EPS-PRIMARY> 0.43
<EPS-DILUTED> 0.41
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<INCOME-BEFORE MINORITY INTEREST> 185,235
<MINORITY INTEREST> 135
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
FINANCIAL STATEMENTS OF STAPLES, INC. FOR THE THREE MONTHS ENDED MAY 2, 1998
AND IS QUALIFIED IN ITS ENTIRETY BY REFRENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
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<MULTIPLIER> 1,000
<CURRENCY> U.S. DOLLARS

<S> <C>
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<PERIOD-END> MAY-02-1998
<EXCHANGE-RATE> 1
<CASH> 256,652
<SECURITIES> 1,367
<RECEIVABLES> 245,440
<ALLOWANCES> 3,806
<INVENTORY> 1,131,272
<CURRENT-ASSETS> 1,711,805
<PP&E> 973,994
<DEPRECIATION> 339,466
<TOTAL-ASSETS> 2,620,195
<CURRENT-LIABILITIES> 912,316
<BONDS> 518,066
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 169
<OTHER-SE> 1,140,586
<TOTAL-LIABILITY-AND-EQUITY> 2,620,195
<SALES> 1,670,611
<TOTAL-REVENUES> 1,670,611
<CGS> 1,282,596
<TOTAL-COSTS> 1,538,244
<OTHER-EXPENSES> 71,762
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> 4,694
<INCOME-PRETAX> 55,911
<INCOME-TAX> 20,011
<INCOME-CONTINUING> 35,950
<DISCONTINUED> 0
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 35,950<F1>
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<EPS-DILUTED> 0.08
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<INCOME-BEFORE MINORITY INTEREST> 35,900
<MINORITY INTEREST> 50
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<MULTIPLIER> 1,000
<CURRENCY> U.S. DOLLARS

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<PERIOD-START>	FEB-01-1998
<PERIOD-END>	AUG-01-1998
<EXCHANGE-RATE>	1
<CASH>	93,762
<SECURITIES>	1,143
<RECEIVABLES>	258,224
<ALLOWANCES>	3,583
<INVENTORY>	1,293,654
<CURRENT-ASSETS>	1,724,325
<PP&E>	1,054,716
<DEPRECIATION>	352,915
<TOTAL-ASSETS>	2,674,868
<CURRENT-LIABILITIES>	1,016,164
<BONDS>	505,935
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	170
<OTHER-SE>	1,103,916
<TOTAL-LIABILITY-AND-EQUITY>	2,674,868
<SALES>	3,146,316

<TOTAL-REVENUES> 3,146,316
<CGS> 2,403,376
<TOTAL-COSTS> 2,872,993
<OTHER-EXPENSES> 188,615
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> 10,614
<INCOME-PRETAX> 74,094
<INCOME-TAX> 29,330
<INCOME-CONTINUING> 44,924
<DISCONTINUED> 0
<EXTRAORDINARY> 0
<CHANGES> 0
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<EPS-DILUTED> 0.10
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<INCOME-BEFORE MINORITY INTEREST> 44,674
<MINORITY INTEREST> 160
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF STAPLES, INC. FOR THE NINE MONTHS ENDED OCTOBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
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<MULTIPLIER> 1,000
<CURRENCY> U.S. DOLLARS

<S> <C>
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<FISCAL-YEAR-END> JAN-30-1999
<PERIOD-START> FEB-01-1998
<PERIOD-END> OCT-31-1998
<EXCHANGE-RATE> 1

<CASH>	193,645
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<RECEIVABLES>	273,571
<ALLOWANCES>	3,150
<INVENTORY>	1,303,329
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<DEPRECIATION>	379,512
<TOTAL-ASSETS>	2,894,677
<CURRENT-LIABILITIES>	1,125,701
<BONDS>	531,760
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	172
<OTHER-SE>	1,187,641
<TOTAL-LIABILITY-AND-EQUITY>	2,894,677
<SALES>	5,046,086
<TOTAL-REVENUES>	5,046,086
<CGS>	3,827,233
<TOTAL-COSTS>	4,569,164
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<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	14,961
<INCOME-PRETAX>	188,476
<INCOME-TAX>	74,501
<INCOME-CONTINUING>	114,110
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<EPS-PRIMARY>	0.27
<EPS-DILUTED>	0.26

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<INCOME-BEFORE MINORITY INTEREST>	113,975
<MINORITY INTEREST>	135

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<SEQUENCE>13
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<TABLE> <S> <C>

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF STAPLES, INC. FOR THE TWELVE MONTHS ENDED JANUARY 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<RESTATED>
<MULTIPLIER> 1,000
<CURRENCY> U.S. DOLLARS

<S>	<C>
<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	JAN-31-1998
<PERIOD-START>	FEB-02-1997
<PERIOD-END>	JAN-31-1998
<EXCHANGE-RATE>	1
<CASH>	381,088
<SECURITIES>	5,902
<RECEIVABLES>	206,570
<ALLOWANCES>	3,427
<INVENTORY>	1,124,642
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<PP&E>	920,963
<DEPRECIATION>	310,701
<TOTAL-ASSETS>	2,638,862
<CURRENT-LIABILITIES>	982,480
<BONDS>	518,959
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	167
<OTHER-SE>	1,094,318
<TOTAL-LIABILITY-AND-EQUITY>	2,638,862
<SALES>	5,732,145
<TOTAL-REVENUES>	5,732,145
<CGS>	4,353,161
<TOTAL-COSTS>	5,186,207
<OTHER-EXPENSES>	268,276
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	21,955
<INCOME-PRETAX>	249,754
<INCOME-TAX>	81,924
<INCOME-CONTINUING>	167,914
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
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<EPS-PRIMARY>	0.41
<EPS-DILUTED>	0.39

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<F1>
<INCOME-BEFORE MINORITY INTEREST> 167,830
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<DESCRIPTION>FINANCIAL DATA SCHEDULE 1ST QUARTER 1997 RESTATED
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF STAPLES, INC. FOR THE THREE MONTHS ENDED MAY 3, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
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<CURRENCY> U.S. DOLLARS

<S>	<C>	
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<PERIOD-START>		FEB-02-1997
<PERIOD-END>		MAY-03-1997
<EXCHANGE-RATE>		1
<CASH>		194,642
<SECURITIES>		8,261
<RECEIVABLES>		225,751
<ALLOWANCES>		4,692
<INVENTORY>		854,182
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<PP&E>		730,958
<DEPRECIATION>		236,074
<TOTAL-ASSETS>		2,055,910
<CURRENT-LIABILITIES>		658,593
<BONDS>		467,679
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		162
<OTHER-SE>		889,081
<TOTAL-LIABILITY-AND-EQUITY>		2,055,910
<SALES>		1,292,721

<TOTAL-REVENUES> 1,292,721
<CGS> 988,055
<TOTAL-COSTS> 1,186,653
<OTHER-EXPENSES> 50,465
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> 3,936
<INCOME-PRETAX> 25,152
<INCOME-TAX> 5,375
<INCOME-CONTINUING> 19,777
<DISCONTINUED> 0
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 19,777<F1>
<EPS-PRIMARY> 0.05
<EPS-DILUTED> 0.05
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<DESCRIPTION>FINANCIAL DATA SCHEDULE 2ND QUARTER 1997 RESTATED
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<TABLE> <S> <C>

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF STAPLES, INC. FOR THE SIX MONTHS ENDED AUGUST 2, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
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<MULTIPLIER> 1,000
<CURRENCY> U.S. DOLLARS

<S> <C>
<PERIOD-TYPE> 6-MOS
<FISCAL-YEAR-END> JAN-31-1998
<PERIOD-START> FEB-02-1997
<PERIOD-END> AUG-02-1997
<EXCHANGE-RATE> 1
<CASH> 123,523

<SECURITIES> 5,124
<RECEIVABLES> 228,090
<ALLOWANCES> 4,402
<INVENTORY> 1,038,161
<CURRENT-ASSETS> 1,465,899
<PP&E> 813,771
<DEPRECIATION> 271,294
<TOTAL-ASSETS> 2,258,065
<CURRENT-LIABILITIES> 828,879
<BONDS> 470,583
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 163
<OTHER-SE> 916,850
<TOTAL-LIABILITY-AND-EQUITY> 2,258,065
<SALES> 2,485,060
<TOTAL-REVENUES> 2,485,060
<CGS> 1,893,773
<TOTAL-COSTS> 2,273,635
<OTHER-EXPENSES> 109,004
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> 9,828
<INCOME-PRETAX> 56,975
<INCOME-TAX> 14,495
<INCOME-CONTINUING> 42,536
<DISCONTINUED> 0
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 42,536<F1>
<EPS-PRIMARY> 0.11
<EPS-DILUTED> 0.10
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<F1><INCOME-BEFORE MINORITY INTEREST> 42,480
<MINORITY INTEREST> 56
</FN>

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<SEQUENCE>16
<DESCRIPTION>FINANCIAL DATA SCHEDULE 3RD QUARTER 1997 RESTATED
<TEXT>

<TABLE> <S> <C>

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF STAPLES, INC. FOR THE NINE MONTHS ENDED NOVEMBER 1, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>
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<MULTIPLIER> 1,000
<CURRENCY> U.S. DOLLARS

<S>	<C>	
<PERIOD-TYPE>	9-MOS	
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<PERIOD-START>		FEB-02-1997
<PERIOD-END>		NOV-01-1997
<EXCHANGE-RATE>		1
<CASH>		247,498
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<RECEIVABLES>		277,153
<ALLOWANCES>		3,112
<INVENTORY>		1,082,601
<CURRENT-ASSETS>		1,675,397
<PP&E>		876,512
<DEPRECIATION>		292,595
<TOTAL-ASSETS>		2,509,876
<CURRENT-LIABILITIES>		960,745
<BONDS>		520,839
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<PREFERRED>		0
<COMMON>		165
<OTHER-SE>		984,962
<TOTAL-LIABILITY-AND-EQUITY>		2,509,876
<SALES>		4,037,453
<TOTAL-REVENUES>		4,037,453
<CGS>		3,070,695
<TOTAL-COSTS>		3,678,088
<OTHER-EXPENSES>		171,519
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		16,040
<INCOME-PRETAX>		136,188
<INCOME-TAX>		41,693
<INCOME-CONTINUING>		94,566
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		94,566<F1>
<EPS-PRIMARY>		0.23
<EPS-DILUTED>		0.23

<FN>
<F1>
<INCOME-BEFORE MINORITY INTEREST> 94,495

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<MINORITY INTEREST>                                        71
</FN>


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</DOCUMENT>
<DOCUMENT>
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<SEQUENCE>17
<DESCRIPTION>FINANCIAL DATA SCHEDULE FISCAL YEAR 1996 RESTATED
<TEXT>

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
FINANCIAL STATEMENTS OF STAPLES, INC. FOR THE TWELVE MONTHS ENDED FEBRUARY 1,
1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL
STATEMENTS.
</LEGEND>
<RESTATED>
<MULTIPLIER> 1,000
<CURRENCY> U.S. DOLLARS

<S>                             <C>
<PERIOD-TYPE>                   12-MOS
<FISCAL-YEAR-END>                          FEB-01-1997
<PERIOD-START>                             FEB-04-1996
<PERIOD-END>                               FEB-01-1997
<EXCHANGE-RATE>                                      1
<CASH>                                         117,035
<SECURITIES>                                    15,185
<RECEIVABLES>                                  215,978
<ALLOWANCES>                                     4,519
<INVENTORY>                                    845,854
<CURRENT-ASSETS>                             1,262,324
<PP&E>                                         695,738
<DEPRECIATION>                                 216,781
<TOTAL-ASSETS>                               1,955,636
<CURRENT-LIABILITIES>                          638,489
<BONDS>                                        402,985
<PREFERRED-MANDATORY>                                0
<PREFERRED>                                          0
<COMMON>                                           162
<OTHER-SE>                                     875,661
<TOTAL-LIABILITY-AND-EQUITY>                 1,955,636
<SALES>                                      4,493,589
<TOTAL-REVENUES>                             4,493,589
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<CGS> 3,410,263
<TOTAL-COSTS> 4,061,897
<OTHER-EXPENSES> 186,294
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<INTEREST-EXPENSE> 22,962
<INCOME-PRETAX> 211,363
<INCOME-TAX> 66,621
<INCOME-CONTINUING> 144,742
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<EXTRAORDINARY> 0
<CHANGES> 0
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<EPS-PRIMARY> 0.36
<EPS-DILUTED> 0.35
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<TEXT>

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
FINANCIAL STATEMENTS OF STAPLES, INC. FOR THE THREE MONTHS ENDED MAY 4, 1996
AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
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<MULTIPLIER> 1,000
<CURRENCY> U.S. DOLLARS

<S> <C>
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<FISCAL-YEAR-END> FEB-01-1997
<PERIOD-START> FEB-04-1996
<PERIOD-END> MAY-04-1996
<EXCHANGE-RATE> 1
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<RECEIVABLES> 187,604
<ALLOWANCES> 2,171
<INVENTORY> 722,774
<CURRENT-ASSETS> 1,116,682
<PP&E> 521,456
<DEPRECIATION> 180,129
<TOTAL-ASSETS> 1,658,853
<CURRENT-LIABILITIES> 523,432
<BONDS> 366,235
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<PREFERRED> 0
<COMMON> 159
<OTHER-SE> 733,159
<TOTAL-LIABILITY-AND-EQUITY> 1,658,853
<SALES> 1,056,807
<TOTAL-REVENUES> 1,056,807
<CGS> 811,237
<TOTAL-COSTS> 973,321
<OTHER-EXPENSES> 43,108
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> 6,346
<INCOME-PRETAX> 30,318
<INCOME-TAX> 8,145
<INCOME-CONTINUING> 22,173
<DISCONTINUED> 0
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 22,173<F1>
<EPS-PRIMARY> 0.06
<EPS-DILUTED> 0.05
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<F1>
<INCOME-BEFORE MINORITY INTEREST> 22,173
<MINORITY INTEREST> 0
</FN>

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<SEQUENCE>19
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<TABLE> <S> <C>

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF STAPLES, INC. FOR THE SIX MONTHS ENDED AUGUST 3, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>
<RESTATED>
<MULTIPLIER> 1,000
<CURRENCY> U.S. DOLLARS

<S> <C>
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<FISCAL-YEAR-END> FEB-01-1997
<PERIOD-START> FEB-04-1996
<PERIOD-END> AUG-03-1996
<EXCHANGE-RATE> 1
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<SECURITIES> 11,165
<RECEIVABLES> 239,798
<ALLOWANCES> 2,229
<INVENTORY> 786,798
<CURRENT-ASSETS> 1,182,852
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<DEPRECIATION> 196,109
<TOTAL-ASSETS> 1,776,974
<CURRENT-LIABILITIES> 561,959
<BONDS> 420,767
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 160
<OTHER-SE> 756,533
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<SALES> 1,989,554
<TOTAL-REVENUES> 1,989,554
<CGS> 1,520,763
<TOTAL-COSTS> 1,822,641
<OTHER-EXPENSES> 85,637
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> 11,341
<INCOME-PRETAX> 62,193
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<EPS-DILUTED> 0.11
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<MINORITY INTEREST> 0

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<TEXT>

<TABLE> <S> <C>

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF STAPLES, INC. FOR THE NINE MONTHS ENDED NOVEMBER 2, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<RESTATED>
<MULTIPLIER> 1,000
<CURRENCY> U.S. DOLLARS

<S>	<C>	
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<FISCAL-YEAR-END>		FEB-01-1997
<PERIOD-START>		FEB-04-1996
<PERIOD-END>		NOV-02-1996
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<CASH>		93,527
<SECURITIES>		20,275
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EXHIBIT 99.1

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Quill Corporation
Lincolnshire, Illinois

We have audited the accompanying consolidated balance sheets of Quill Corporation and Subsidiary as of December 31, 1997 and the related consolidated statements of operating results and retained earnings and cash flows for each of the two years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Quill Corporation and Subsidiary as of December 31, 1997 and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

/s/ Kupferberg, Goldberg & Neimark, LLC
- - ---
KUPFERBERG, GOLDBERG & NEIMARK, LLC
February 24, 1998

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STAPLES, INC.
SEC FORM 10-Q REPORT

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PUBLIC DOCUMENT COUNT:          2
CONFORMED PERIOD OF REPORT:     19990731
FILED AS OF DATE:               19990913

FILER:

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                COMPANY CONFORMED NAME:                 STAPLES INC
                CENTRAL INDEX KEY:                      0000791519
                STANDARD INDUSTRIAL CLASSIFICATION:     RETAIL-MISCELLANEOUS SHOPPING GOODS STORES [5940]
                IRS NUMBER:                             042896127
                STATE OF INCORPORATION:                 DE
                FISCAL YEAR END:                        0127

        FILING VALUES:
                FORM TYPE:              10-Q
                SEC ACT:
                SEC FILE NUMBER:        000-17586
                FILM NUMBER:            99710459

        BUSINESS ADDRESS:
                STREET 1:               500 STAPLES DRIVE
                STREET 2:               P O BOX 9328
                CITY:                   FRAMINGHAM
                STATE:                  MA
                ZIP:                    01702
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended: July 31, 1999

Commission File Number: 0-17586

STAPLES, INC.
(Exact name of registrant as specified in its charter)

Delaware	04-2896127
(State or other jurisdiction of incorporation or organization)	(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 [X] No [ ]

The registrant had 464,446,265 shares of Common Stock, par value $.0006, outstanding as of September 10, 1999.

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FORM 10-Q

STAPLES, INC.

JULY 31, 1999

TABLE OF CONTENTS

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STAPLES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

	JULY 31, 1999 (UNAUDITED)	JANUARY 30, 1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ --	$ 357,993
Short-term investments	1,252	17,428
Merchandise inventories	1,518,768	1,340,432
Receivables, net	378,114	221,836
Deferred income taxes	79,397	75,261
Prepaid expenses and other current assets	51,700	51,150
TOTAL CURRENT ASSETS	2,029,231	2,064,100
PROPERTY AND EQUIPMENT:		
Land and buildings	246,948	231,378
Leasehold improvements	407,722	372,451
Equipment	460,788	400,225
Furniture and fixtures	260,868	239,755
TOTAL PROPERTY AND EQUIPMENT	1,376,326	1,243,809
Less accumulated depreciation and amortization	449,763	403,520
NET PROPERTY AND EQUIPMENT	926,563	840,289
OTHER ASSETS:		
Lease acquisition costs, net of amortization	70,098	75,127
Investments	20,906	--
Goodwill, net of amortization	301,323	148,201
Deferred income taxes	30,819	28,735
Other	26,306	22,814
TOTAL OTHER ASSETS	449,452	274,877
	$3,405,246	$3,179,266
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 863,878	$ 794,427
Accrued expenses and other current liabilities	444,224	438,311
Debt maturing within one year	43,997	32,594
TOTAL CURRENT LIABILITIES	1,352,099	1,265,332

LONG-TERM DEBT....................................	263,560	205,015
OTHER LONG-TERM OBLIGATIONS............................	55,909	52,033
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value-authorized 5,000,000 shares; no shares issued	--	--
Common stock, $.0006 par value-authorized 1,500,000,000 shares; issued 465,744,215 at July 31, 1999 and 461,538,061 shares at January 30, 1999................	279	277
Additional paid-in capital...........................	1,096,308	1,043,194
Cumulative foreign currency translation adjustments...	(12,772)	(11,675)
Unrealized gain on investments.......................	(31)	7
Retained earnings	736,378	633,321
Less: treasury stock at cost, 3,119,153 shares at July 31, 1999 and 488,922 shares at January 30, 1999..	(86,484)	(8,238)
TOTAL STOCKHOLDERS' EQUITY..........................	1,733,678	1,656,886
	$3,405,246	$3,179,266

See notes to consolidated financial statements.

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STAPLES, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>
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	(UNAUDITED) 13 WEEKS ENDED		(UNAU 26 WEEK
	JULY 31, 1999	AUGUST 1, 1998	JULY 31, 1999
<S>	<C>	<C>	<C>
Sales	$ 1,840,110	$ 1,475,705	$ 3,912,176
Cost of goods sold and occupancy costs	1,385,551	1,127,778	2,962,864
GROSS PROFIT	454,559	347,927	949,312

OPERATING AND OTHER EXPENSES:

Operating and selling	270,737	206,971	586,057
Pre-opening	4,899	4,232	9,407
General and administrative	85,510	70,694	174,250
Amortization of goodwill	2,971	927	5,258
Merger-related and integration costs	--	41,000	--
Interest and other expense, net	3,976	5,920	5,392
TOTAL OPERATING AND OTHER EXPENSES	368,093	329,744	780,364
INCOME BEFORE INCOME TAXES	86,466	18,183	168,948
Income tax expense	33,722	9,319	65,890
NET INCOME BEFORE MINORITY INTEREST	52,744	8,864	103,058
Minority interest	--	110	--
NET INCOME	$52,744	$ 8,974	$ 103,058
BASIC EARNINGS PER COMMON SHARE			
Historical net income per common share	$ 0.11	$ 0.02	$ 0.22
DILUTED EARNINGS PER COMMON SHARE			
Historical net income per common share	$ 0.11	$ 0.02	$ 0.22
PRO FORMA:			
Historical net income			
Provision for income taxes on previously untaxed earnings of pooled S-Corporation income			
PRO FORMA NET INCOME			
BASIC EARNINGS PER COMMON SHARE			
Pro forma net income per common share			
DILUTED EARNINGS PER COMMON SHARE			
Pro forma net income per common share			
Number of shares used in computing historical and pro forma basic net income per common share	462,421,805	423,959,190	462,627,140
Number of shares used in computing historical and			

pro forma diluted net income per common share	476,032,234	436,549,991	476,416,623
	===========	===========	===========

</TABLE>

See notes to consolidated financial statements

STAPLES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLAR AMOUNTS IN THOUSANDS)

	(UNAUDITED) 26 WEEKS ENDED	
	JULY 31, 1999	AUGUST 1, 1998
OPERATING ACTIVITIES:		
Net income	$103,058	$ 44,924
Adjustments to reconcile net income to net cash used in operating activities:		
Minority interest	--	(160)
Depreciation and amortization	81,577	58,649
Merger-related and integration costs	--	41,000
Expense from 401K and PARS stock contribution	8,460	3,073
Deferred income tax benefit	(6,208)	(7,098)
Change in assets and liabilities, net of companies acquired using purchase accounting:		
Increase in merchandise inventories	(170,321)	(169,012)
Increase in receivables	(136,723)	(56,419)
(Increase)/Decrease in prepaid expenses and other assets	(977)	8,616
Increase in accounts payable, accrued expenses and other current liabilities	32,566	37,706
Increase in other long-term obligations	2,863	6,242
	(188,763)	(77,403)
NET CASH USED IN OPERATING ACTIVITIES	(85,705)	(32,479)
INVESTING ACTIVITIES:		

Acquisition of property and equipment	(147,787)	(149,637)
Acquisition of businesses, net of cash acquired	(137,625)	--
Proceeds from sales and maturities of short-term investments	32,765	11,313
Purchase of short-term investments	(16,651)	(6,854)
Proceeds from sales and maturities of long-term investments	--	18,995
Purchase of long-term investments	(20,906)	(2,545)
Acquisition of lease rights	1,946	(36,690)
Other	88	(1,619)
NET CASH USED IN INVESTING ACTIVITIES	(288,170)	(167,037)
FINANCING ACTIVITIES:		
Proceeds from sale of capital stock	25,243	35,581
Proceeds from borrowings	316,984	38
Payments on borrowings	(248,326)	(52,082)
Purchase of dissenting shareholder S-Corporation stock	--	(48,102)
Purchase of treasury stock	(78,246)	(7,892)
Dividends to shareholders of acquired S-Corp	--	(15,601)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	15,655	(88,058)
Effect of exchange rate changes on cash	227	248
NET DECREASE IN CASH AND CASH EQUIVALENTS	(357,993)	(287,326)
Cash and cash equivalents at beginning of period	357,993	381,088
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ --	$ 93,762

See notes to consolidated financial statements.

STAPLES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying interim unaudited consolidated financial statements include the accounts of Staples, Inc. and subsidiaries ("Staples" and the "Company"). All intercompany accounts and transactions are eliminated in consolidation.

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 generally accepted accounting principles for complete financial statements. In the opinion of management, such interim statements reflect all adjustments (consisting only of normal recurring accruals) 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 January 30, 1999.

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

NOTE 2 - COMPUTATION OF EARNINGS PER COMMON SHARE

Staples calculates earnings per share in accordance with Statement of Financial Accounting Standards No. 128 "Earnings per Share" ("FAS 128") which requires disclosure of basic and diluted earnings per share. Basic earnings per share excludes any dilutive effects of options, warrants, and convertible securities, while diluted earnings per share includes such effects.

Average common and common equivalent shares used in computing diluted earnings per share include approximately 13,610,000 and 14,122,000 shares for the three and six months ended July 31, 1999 and approximately 12,591,000 and 12,249,000 shares for the same periods ended August 1, 1998, respectively, as a result of applying the treasury stock method to outstanding stock options, performance accelerated restricted stock ("PARS") and derivative instruments. Outstanding convertible debentures were not included in the calculations for the three and six months ended August 1, 1998 as their inclusion would be anti-dilutive. All of the convertible debentures were redeemed and/or converted by the quarter ended January 30, 1999.

NOTE 3 - COMPREHENSIVE INCOME

Staples calculates comprehensive income in accordance with SFAS No. 130 "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes new rules for the reporting and display of comprehensive income and its components. The adoption of SFAS 130 had no impact on Staples' net income or stockholders' equity. SFAS 130 requires Staples' to report comprehensive income which includes net income, foreign currency translation adjustments and unrealized gains and losses on short-term investments, which are reported separately in stockholders' equity, in the notes to the financial statements for interim periods. During the three and six months ended July 31, 1999 total comprehensive income amounted to approximately $48,453,000 and $101,920,000, respectively, compared to $2,764,000 and $41,393,000, for the corresponding periods ended August 1, 1998.

STAPLES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - DESCRIPTION OF THE TYPES OF PRODUCTS AND SERVICES FROM WHICH EACH REPORTABLE SEGMENT DERIVES ITS REVENUES

Staples has three reportable segments: North America Retail, North America Delivery Operations, and European Operations. Staples' North America Retail division consists of two operating units that operate stores throughout the US and Canada. Staples' North America Delivery Operations division consists of five operating units that sell office products and supplies directly to businesses. The European Operations segment consists of three operating units which operate office supply stores and sell directly to businesses throughout the United Kingdom and Germany.

Measurement of Segment Profit or Loss and Segment Assets

Staples evaluates performance and allocates resources based on profit or loss from operations before income taxes, not including gains and losses on Staples' investment portfolio. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intersegment sales and transfers are recorded at Staples' cost, therefore there is no intercompany profit or loss recognized on these transactions.

Factors Management Used to Identify the Enterprise's Reportable Segments

Staples' reportable segments are business units that distribute office products in different manners. The reportable segments are each managed separately because they distribute products to different classes of customer with different distribution methods. The European operations are considered a separate operating segment because of the significant difference in the operating environment from the North American operations.

The following is a summary of significant accounts and balances by reportable segment for the thirteen and twenty-six weeks ended July 31, 1999 and August 1, 1998:
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	Revenues from External Customers ($ in 000's)			
	13 Weeks Ended		26 Weeks Ended	
	July 31, 1999	August 1, 1998	July 31, 1999	August 1, 1998

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N. America Retail	$1,183,168	$ 956,983	$2,590,989	$2,088,478
N. America Delivery	578,172	449,245	1,154,297	906,157
European Operations	78,770	69,477	166,890	51,681
Totals	$1,840,110	$1,475,705	$3,912,176	$3,146,316

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STAPLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	Merger and Integration Costs ($ in 000's)			
	13 Weeks Ended		26 Weeks Ended	
	July 31, 1999	August 1, 1998	July 31, 1999	August 1, 1998
<S>	<C>	<C>	<C>	<C>
N. America Retail	$ --	$ --	$ --	$ --
N. America Delivery	--	41,000	--	41,000
European Operations	--	--	--	--
Totals	$ --	$ 41,000	$ --	$ 41,000

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	Depreciation and Amortization Costs ($ in 000's)			
	13 Weeks Ended		26 Weeks Ended	

<S>	July 31, 1999 <C>	August 1, 1998 <C>	July 31, 1999 <C>	August 1, 1998 <C>
N. America Retail	$ 35,801	$ 23,188	$ 60,491	$ 44,856
N. America Delivery	8,520	4,842	15,839	10,006
European Operations	2,800	1,966	5,247	3,787
Totals	$ 47,121	$ 29,996	$ 81,577	$ 58,649

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Segment Profit (Loss) ($ in 000's)

	13 Weeks Ended		26 Weeks Ended	
<S>	July 31, 1999 <C>	August 1, 1998 <C>	July 31, 1999 <C>	August 1, 1998 <C>
N. America Retail	$ 99,792	$ 70,949	$ 206,538	$ 145,780
N. America Delivery	48,188	(3,196)	83,612	20,954
European Operations	(13,428)	(6,670)	(19,354)	(10,631)
All Other(1)	(48,086)	(42,900)	(101,850)	(82,009)
Totals	$ 86,466	$ 18,183	$ 168,948	$ 74,094

</TABLE>

(1) All other is composed of corporate general and administrative expenses.

Expenditures for Long-Lived Assets
($ in 000's)

	26 Weeks Ended	
	July 31, 1999	August 1, 1998
N. America Retail	$146,740	$169,965
N. America Delivery	149,023	9,325
European Operations	8,609	7,037
Totals	$304,372	$186,327

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STAPLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Total Assets ($ in 000's)	
	July 31, 1999	January 30, 1999
N. America Retail	$3,002,007	$2,866,114
N. America Delivery	569,659	448,452
European Operations	185,025	162,693
Totals	3,756,691	3,497,259
Elimination of Intercompany Receivables	(94,696)	(89,664)
Elimination of Intercompany Investments	(256,749)	(228,329)
Total Consolidated Assets	$3,405,246	$3,179,266

Geographic Information:
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	Revenues from External Customers ($ in 000's)			
	13 Weeks Ended		26 Weeks Ended	
	July 31, 1999	August 1, 1998	July 31, 1999	August 1, 1998
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N. America	$1,761,340	$1,406,228	$3,745,286	$2,994,635
European	78,770	69,477	166,890	151,681
Totals	$1,840,110	$1,475,705	$3,912,176	$3,146,316

</TABLE>

Long-lived Assets ($ in 000's)

	JULY 31, 1999	JANUARY 30, 1999
N. America	$1,277,136	$1,027,704
European	41,754	35,913
Totals	$1,318,890	$1,063,617

NOTE 5 - GUARANTOR SUBSIDIARIES

The 7.125% senior notes due August 15, 2007 and the obligations under the $350,000,000 revolving credit facility effective through November, 2002 with a syndicate of banks are fully and unconditionally guaranteed on an unsecured, joint and several basis by certain wholly-owned subsidiaries of the Company (the "Guarantor Subsidiaries"). The following condensed consolidating financial data illustrates the composition of Staples, Inc. (the "Parent Company"), Guarantor Subsidiaries, and non-guarantor subsidiaries as of and for the thirteen and twenty-six weeks ended July 31, 1999 and August 1, 1998. The non-guarantor subsidiaries represent more than an inconsequential portion of the consolidated assets and revenues of the Company. Separate complete financial statements of the respective Guarantor Subsidiaries would not provide additional information which would be useful in assessing the financial condition of the Guarantor Subsidiaries and thus are not presented.

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

STAPLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidating Balance Sheet
As of July 31, 1999
($ in 000's)
<TABLE>
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Non-

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations
<S>	<C>	<C>	<C>	<C>
Cash, cash equivalents and short-term investments	$ 5,324	$ 16,029	$ (20,101)	$ --
Merchandise inventories	(5,457)	1,213,963	310,262	--
Other current assets and Intercompany	758,078	498,656	634,324	(1,381,847)
Total current assets	757,945	1,728,648	924,485	(1,381,847)
Net property, equipment and other assets	306,581	746,601	565,933	(243,100)
Total assets	$1,064,526	$2,475,249	$1,490,418	$(1,624,947)
Total current liabilities	$ (135,546)	$1,011,718	$ 461,025	$ 14,902
Total long-term liabilities	63,478	237,369	18,622	--
Total stockholders' equity	1,136,594	1,226,162	1,010,771	(1,639,849)
Total liabilities and stockholders' equity	$1,064,526	$2,475,249	$1,490,418	$(1,624,947)

</TABLE>

Condensed Consolidating Balance Sheet
As of January 30, 1999
($ in 000's)
<TABLE>
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	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations
<S>	<C>	<C>	<C>	<C>
Cash, cash equivalents and short-term investments	$ 219,426	$ 16,348	$ 139,647	$ --
Merchandise inventories	(5,561)	1,095,906	250,087	--
Other current assets and Intercompany	780,629	396,920	552,395	(1,381,697)
Total current assets	994,494	1,509,174	942,129	(1,381,697)
Net property, equipment and other assets	271,129	710,049	362,178	(228,190)

Total assets	$1,265,623	$2,219,223	$1,304,307	$(1,609,887)
	==========	==========	==========	===========
Total current liabilities	$ 86,206	$ 830,728	$ 266,789	$ 81,609
Total long-term liabilities	7,581	237,128	12,339	--
Total stockholders' equity	1,171,836	1,151,367	1,025,179	(1,691,496)
	----------	----------	----------	-----------
Total liabilities and stockholders' equity	$1,265,623	$2,219,223	$1,304,307	$(1,609,887)
	==========	==========	==========	===========

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STAPLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

<TABLE>
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Condensed Consolidated Statement of Income
For the thirteen weeks ended July 31, 1999
($ in 000's)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Co
	-------------	------------	-------------	--
<S>	<C>	<C>	<C>	<
Sales..	$ --	$1,372,395	$ 467,715	$
Cost of goods sold and occupancy costs..............	169	1,038,507	346,875	
	----------	----------	----------	-
Gross profit.....................................	(169)	333,888	120,840	
Operating and other expenses........................	7,855	266,877	93,361	
	----------	----------	----------	-
Income before income taxes..........................	(8,024)	67,011	27,479	
Provision/(Benefit) for income taxes................	(3,386)	26,171	10,937	
	----------	----------	----------	-
Net income.......................................	$ (4,638)	$ 40,840	$ 16,542	$
	==========	==========	==========	=

Condensed Consolidated Statement of Income
For the thirteen weeks ended August 1, 1998
($ in 000's)

	Staples, Inc.	Guarantor	Non-Guarantor

	(Parent Co.)	Subsidiaries	Subsidiaries	Co
Sales	$ --	$1,118,437	$ 357,268	$
Cost of goods sold and occupancy costs	656	856,235	270,887	-
Gross profit	(656)	262,202	86,381	
Operating and other expenses	46,442	223,856	59,446	-
Income before income taxes	(47,098)	38,346	26,935	
Provision/(Benefit) for income taxes	(4,511)	8,972	4,858	
Minority interest	--	--	110	-
Net income	$ (42,587)	$ 29,374	$ 22,187	$

Condensed Consolidated Statement of Income
For the twenty-six weeks ended July 31, 1999
($ in 000's)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Co
Sales	$ --	$2,942,037	$ 970,139	$
Cost of goods sold and occupancy costs	341	2,238,588	723,935	-
Gross profit	(341)	703,449	246,204	
Operating and other expenses	16,365	576,641	187,358	-
Income before income taxes	(16,706)	126,808	58,846	
Provision/(Benefit) for income taxes	(6,181)	52,010	20,061	-
Net income	$ (10,525)	$ 74,798	$ 38,785	$

Condensed Consolidated Statement of Income
For the twenty-six weeks ended August 1, 1998
($ in 000's)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Co
Sales	$ --	$2,383,087	$ 763,229	$
Cost of goods sold and occupancy costs	925	1,831,103	585,583	-
Gross profit	(925)	551,984	177,646	
Operating and other expenses	52,744	474,980	126,887	-
Income before income taxes	(53,669)	77,004	50,759	
Provision/(Benefit) for income taxes	(6,477)	25,826	9,981	
Minority interest	--	--	160	

Net income	$ (47,192)	$ 51,178	$ 40,938	$

</TABLE>

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STAPLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

<TABLE>
<CAPTION>
Condensed Consolidated Statement of Cash Flows
For the twenty-six weeks ended July 31, 1999
($in 000's)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Co
<S>	<C>	<C>	<C>	<C
Net cash used in operating activities	$ (70,182)	$ (7,884)	$ (7,639)	$
Investing Activities:				
Acquisition of property, equipment and lease rights	(29,591)	(79,899)	(36,351)	(
Other	(110,367)	87,464	(119,426)	(
Cash (used in)/provided by investing activities	(139,958)	7,565	(155,777)	(
Financing Activities:				
Payments on borrowings	(234,505)	--	(13,821)	(
Other	230,543	--	33,438	
Cash provided by financing activities	3,983	--	19,617	
Effect of exchange rate changes on cash	--	--	227	
Net decrease in cash	(214,102)	(319)	(143,572)	(
Cash and cash equivalents at beginning of period	219,426	16,348	122,219	
Cash and cash equivalents at end of period	$ 5,324	$ 16,029	$ (21,353)	$

Condensed Consolidated Statement of Cash Flows
For the twenty-six weeks ended August 1, 1998
($ in 000's)

	Staples, Inc. (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Co
Net cash (used in)/provided by Operating activities	$ (64,388)	$ 16,503	$ 15,406	$
Investing Activities:				
Acquisition of property, equipment and lease rights	(31,354)	(142,697)	(12,276)	(
Other	(56,769)	134,869	(58,810)	
Cash used in investing activities	(88,123)	(7,828)	(71,086)	(
Financing Activities:				
Payments on borrowings	(26,040)	--	(26,042)	
Other	27,748	--	(63,724)	
Cash provided by/(used in) financing activities	1,708	--	(89,766)	
Effect of exchange rate changes on cash	--	--	248	
Net decrease in cash	(150,803)	8,675	(145,198)	(
Cash and cash equivalents at beginning of period	189,252	8,253	183,583	
Cash and cash equivalents at end of period	$ 38,449	$ 16,928	$ 38,385	$

</TABLE>

STAPLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - INVESTMENTS

Investments consist of stock purchased in internet related companies whose stock is not publicly traded on an exchange. These investments have been accounted for on a cost basis as each investment represents an interest of no greater than fifteen percent.

NOTE 7 - ACQUISITIONS

On February 26, 1999, Staples completed the acquisition of Claricom Holdings, Inc. and certain related entities, now referred to as Staples Communications, for a purchase price of approximately $137,900,000. The acquisition has been accounted for using the purchase method of accounting and accordingly Staples has recognized goodwill of approximately $158,400,000, including a provision for merger related and integration costs of approximately $7,000,000. Staples Communications is a full-service supplier of telecommunications services to small and medium sized businesses in the United States.

NOTE 8 - EQUITY FORWARD PURCHASE AGREEMENT

During the quarter ended July 31, 1999, Staples entered into an equity forward purchase to hedge against stock price fluctuations for the repurchase of Staples common stock in connection with the annual stock option grant to employees and directors. Under the agreement Staples must purchase 2,600,000 shares of Staples stock at an average price of $30.263 or $78,700,000.

NOTE 9 - SUBSEQUENT EVENT

On August 11, 1999, Staples announced a definitive agreement to acquire three European office supply companies, subject to regulatory approvals. The companies to be acquired are Sigma Burowelt in Germany, Office Centre in the Netherlands, and Office Centre in Portugal for a total of approximately $120,000,000. All three companies operate office superstores focusing on every-day low pricing for a wide assortment of office supplies. Staples will acquire a total of 41 stores, including 15 in Germany, 21 in the Netherlands, and 5 in Portugal. This acquisition will be accounted for using the purchase method of accounting.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

SALES. Our sales increased 24.7% to $1,840,110,000 in the quarter ended July 31, 1999 from $1,475,705,000 in the quarter ended August 1, 1998 and increased 24.3% to $3,912,176,000 for the six months ended July 31, 1999 compared to $3,146,316,000 for the six months ended August 1, 1998. This growth was attributable to an increased number of open stores and increased sales in existing stores and in the delivery and contract stationer segments. Comparable store and delivery hub sales for both the quarter and six months ended July 31, 1999 increased 9% over the same periods ended August 1, 1998. Comparable sales in the contract stationer segment, including Quill, increased 11% for both the three and six months ended July 31, 1999 as compared to the three and six months ended August 1, 1998. The Company had 1,009 stores open as of July 31, 1999 compared to 830 stores as of August 1, 1998 and 913 stores as of January 30, 1999; this total includes 49 stores opened during the quarter ended July 31, 1999.

GROSS PROFIT. Our gross profit as a percentage of sales was 24.7% and 24.3% for the three and six months ended July 31, 1999 as compared to 23.6% and 23.2% for the same periods in the prior year. The gross profit rate was increased by continually improving margins in the retail and delivery segments due to lower product costs from vendors and improved worldwide buying as well as the leveraging of fixed distribution center and delivery costs over a larger sales base. Furthermore, Staples Communications, with its first full quarter of operations, contributed to the increase in gross profit. These increases were partially offset by continued price reductions and decreased margins on computer hardware sales such as CPU's, laptops, and printers and new market occupancy costs.

OPERATING AND SELLING EXPENSES. Our operating and selling expenses, which consist of payroll, advertising and other operating expenses, increased as a percentage of sales in the three and six months ended July 31, 1999 to 14.7% and 15.0%, as compared to 14.0% and 14.5% for the same period in the prior year. The increase was primarily due to increased costs of investing in our selling operations, primarily retail and call center personnel, increased marketing costs in our delivery operations and Staples.com and the addition of Staples Communications. Staples Communications had higher operating and selling expenses as a percentage of sales. These increases were partially offset by the continued leveraging of fixed store and delivery operating costs as sales have increased.

PRE-OPENING EXPENSES. Our pre-opening expenses relating to new store openings, consisting primarily of salaries, supplies, marketing and occupancy costs, are expensed as incurred and therefore fluctuate from period to period depending on the timing and number of new store openings. Pre-opening expenses averaged $100,000 and $98,000 per store for the three and six months ended July 31, 1999, as compared to $88,000 and $85,000 per store for the same periods in the prior year.

GENERAL AND ADMINISTRATIVE EXPENSES. Our general and administrative expenses as a percentage of sales were 4.7% and 4.5% for the three and six months ended July 31, 1999 respectively, as compared to 4.8% and 4.4% for the same periods in the prior year. The decrease for the three months ended July 31, 1999 was primarily due to decreased Year 2000 compliance and other information systems ("IS") costs, synergies realized from the Quill integration as well as Staples' ability to increase sales without proportionately increasing overhead expenses in its core retail and direct business. These decreases were partially offset by costs incurred for new business, including Staples Communications and Staples.com

which have higher general and administrative expenses as a percentage of sales. The increase as a percentage of sales for the six months ended July 31, 1999 was primarily due to higher costs incurred for Year 2000 compliance projects and IS staffing infrastructure for that period and the addition of Staples Communications and Staples.com which have higher general and administrative expenses as a percentage of sales.

AMORTIZATION OF GOODWILL. Amortization of goodwill for the three and six months ended July 31, 1999 was $2,971,000 and $5,258,000 as compared to $927,000 and $1,851,000 for the same periods in the prior year. The increase in amortization is due to the goodwill from the acquisitions of Ivan Allen Corporation on November 1, 1998 and Claricom Holdings, Inc., now referred to as Staples Communications, on February 26, 1999.

MERGER-RELATED AND INTEGRATION COSTS. In connection with the acquisition of Quill, we recorded a charge to operating expense of $41,000,000 during the three months ended August 1, 1998. These costs consist of direct merger-related and integration costs from the transaction.

INTEREST AND OTHER EXPENSE, NET. Net interest and other expense for the three and six months ended July 31, 1999 was $3,976,000 and $5,392,000, respectively, as compared to $5,920,000 and $10,614,000 for the same periods in the prior year. The interest expense relates primarily to existing borrowings. The decrease in net interest expense during the three and six months ended July 31, 1999 was primarily due to the conversion of Staples' $300,000,000 of 4 1/2% Debentures into common stock in December 1998.

INCOME TAXES. Our provision for income taxes as a percentage of pre-tax income was 39% for both the three and six months ended July 31, 1999 and 51.3% and 39.6% for the same periods ended August 1, 1998. On a pro forma basis, to reflect a provision for income taxes on previously untaxed earnings of Quill, Staples' effective tax rate would have been 42% for the six months ended August 1, 1998.

LIQUIDITY AND CAPITAL RESOURCES

We have traditionally used a combination of cash generated from operations and debt or equity offerings to fund our expansion and acquisition activities. We have also utilized our revolving credit facility to support various growth initiatives.

We opened 96 stores and 89 stores during the six months ended July 31, 1999 and August 1, 1998, respectively. During the six months ended August 1, 1998 one store was closed. To the extent that the store base matures and becomes more profitable, cash generated from store operations is expected to provide a greater portion of funds required for new store inventories and other working capital requirements. Sales generated by the contract stationer business segment and certain direct mail customers are made under regular credit terms, which requires that we carry our own receivables from these sales. As we expand our contract and direct mail businesses worldwide, we anticipate that our accounts receivable portfolio will grow. Receivables from our vendors under rebate, cooperative advertising and marketing programs are a significant percentage of our total receivables and tend to fluctuate somewhat seasonally. We also utilized capital equipment financings to fund current working capital requirements. We expect to open approximately 75 stores during the last two quarters of fiscal 1999. We estimate that our cash requirements, including pre-opening expenses, inventory, leasehold improvements and fixtures, will be approximately $1,400,000 for each new store (excluding the cost of any acquisitions of lease rights). Accordingly, we expect to use approximately $105,000,000 for store openings during this period. In

December 1998, we committed to a plan to close and relocate stores which cannot be expanded and upgraded to our current store model. Lease agreements for the relocation sites will be executed during fiscal year 1999 and the stores will be closed and relocated during fiscal years 1999 and 2000.

During the six months ended July 31, 1999, cash and cash equivalents decreased by $357,993,000. This decrease was primarily attributable to cash used in investing activities of $288,170,000, including cash used in the acquisition of Staples Communications of $137,625,000 and the acquisition of property and equipment of $147,787,000, primarily for the 96 new stores opened; as well as cash used in operating activities of $85,705,000, which includes an increase in merchandise inventories of $170,321,000 and an increase in accounts receivable of $136,723,000. Cash provided by financing activities of $15,655,000 includes $68,658,000 of net borrowings and $25,243,000 of proceeds from sales of capital stock for the exercise of stock options and the employee stock purchase plan offset by treasury stock purchases of $78,246,000.

During the quarter ended May 1, 1999, we began a stock repurchase program intended to provide shares for employee stock programs. We expect to repurchase approximately 6,000,000 shares annually and have authorized up to $200,000,000 to be used in fiscal 1999 for these repurchases. During the six months ended July 31, 1999 we repurchased 2,321,000 shares for approximately $68,962,000 under this program and 309,000 shares for approximately $9,284,000 from employees upon exercise of PARS. In addition, during the quarter ended July 31, 1999, we entered into an equity forward purchase agreement to hedge against stock price fluctuations for the repurchase of our common stock in connection with the annual stock option grant to employees and directors. Under the agreement we must purchase 2,600,000 shares at an average price of $30.263 or $78,684,000.

During the quarter ended July 31, 1999, we made investments of approximately $21,000,000 in internet related companies whose stock is not traded on a public market. These investments are accounted for on a cost basis as each investment represents an interest of no greater than fifteen percent. We also plan to continue to make investments in information systems, distribution centers and store remodels to improve operational efficiencies and customer service, and may expend additional funds to acquire businesses or lease rights from tenants occupying retail space that is suitable for a Staples store. We expect to meet these cash requirements through a combination of operating cash flow and borrowings from our existing revolving line of credit.

On August 12, 1997, we issued $200,000,000 of 7.125% senior notes with interest payable semi-annually on February 15 and August 15 of each year commencing on February 15, 1998. Net proceeds of approximately $198,000,000 from the sale of the senior notes were used for repayment of indebtedness under our revolving credit agreement and for general working capital purposes, including the financing of new store openings, distribution facilities and corporate offices.

We also maintain a revolving credit facility, effective through November 2002, with a syndicate of banks which provides up to $350,000,000 of available borrowings. Borrowings made pursuant to this facility will bear interest at either the lead bank's prime rate, the federal funds rate plus 0.50%, the LIBOR rate plus a percentage spread based upon certain defined ratios, a competitive bid rate or a swing line loan rate. This agreement, among other conditions, contains certain restrictive covenants including net worth maintenance, minimum fixed charge interest coverage and limitations on indebtedness and sales of assets.

As of July 31, 1999, $60,000,000 of borrowings was outstanding under the revolving credit agreement. We also have available $35,000,000 in other uncommitted, short-term bank credit lines, of which no borrowings were outstanding as of July 31, 1999. Staples UK has a $50,000,000 line of credit which had an outstanding balance of $41,433,000 at July 31, 1999 and Business Depot has a $16,610,000 line of credit which had no outstanding balance at July 31, 1999. Total short-term investments and available revolving credit amounts totaled $351,429,000 as of July 31, 1999.

We expect that income from operations, together with our current short-term investments and funds available under our revolving credit facility will be sufficient to fund our planned store openings and other recurring operating cash needs for at least the next twelve to eighteen months. We continually evaluate financing possibilities, and we may seek to raise additional funds through any one or a combination of public or private debt or equity-related offerings, dependent upon market conditions, or through an additional commercial bank debt arrangement.

INFLATION AND SEASONALITY

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

FUTURE OPERATING RESULTS

This quarterly report on Form 10-Q includes or incorporates 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. You can identify these forward-looking statements by our use of the words "believes", "anticipates", "plans", "expects", "may", "will", "would", "intends", "estimates" and other similar expressions, whether in the negative or affirmative. We cannot guarantee that we actually will achieve these plans, intentions or expectations disclosed in the forward looking statements we make. We have included important factors in the cautionary statements below that we believe could cause our actual results to differ materially from the forward-looking statements that we make. The forward-looking statements do not reflect the potential impact of any future acquisitions, mergers or dispositions. We do not assume any obligation to update any forward-looking statement we make.

Our market is highly competitive and we may not continue to compete successfully. We compete in a highly competitive marketplace with a variety of retailers, dealers and distributors. In most of our geographic markets, we compete with other high-volume office supply chains, such as Office Depot, OfficeMax and Office World, that have store formats, pricing strategies and product selections that are similar to ours. We also compete with mass merchants, such as Wal-Mart, warehouse clubs, computer and electronic superstores, and other discount retailers. In addition, our retail stores and delivery and contract businesses compete with numerous mail order firms, contract stationer businesses and direct manufacturers. Many of our competitors, including Office Depot, OfficeMax and Wal-Mart, have in recent years significantly increased the number of stores they operate within our markets. Some of our current and potential competitors are larger than we are and have substantially greater financial resources. It is possible that increased competition or improved performance by our competitors may reduce our market share, may force us to charge lower prices than we otherwise would, and may adversely affect our business and financial performance in other ways.

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We may be unable to continue to successfully open new stores. An important part of our business plan is to aggressively increase the number of our stores. We opened 174 stores in the United States, Canada and Europe in fiscal 1998 and plan to open approximately 170 new stores in fiscal 1999. For our growth strategy to be successful, we must identify and lease favorable store sites, hire and train employees and adapt our management and operational systems to meet the needs of our expanded operations. These tasks may be difficult to accomplish successfully. If we are unable to open new stores as quickly as planned, our future sales and profits could be materially adversely affected.

Even if we succeed in opening new stores, these new stores may not achieve the same sales or profit levels as our existing stores. Also, our expansion strategy 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. However, these new stores may result in the loss of sales in existing stores in nearby areas.

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. Our earnings may not continue to grow at rates similar to the growth rates achieved in recent years and may fall short of either a prior fiscal period or investors' expectations. Factors that could cause these quarterly fluctuations include the following:

- the number of new store openings, primarily because we expense pre-opening expenses as they are incurred and newer stores are less profitable than mature stores;
- the extent to which sales in new stores result in the loss of sales in existing stores;
- the mix of products sold;
- pricing actions of competitors;
- the level of advertising and promotional expenses;
- seasonality, primarily because the sales and profitability of our stores are typically slightly lower in the first and second quarter of our fiscal year than in other quarters; and
- charges associated with acquisitions.

Most of our operating expenses, such as rent expense, advertising expense and employee salaries, do not vary directly with the amount of our sales and are difficult to adjust in the short term. As a result, if sales in a particular quarter are below our expectation for that quarter, we may not proportionately reduce operating expenses for that quarter, and therefore this sales shortfall would have a disproportionate effect on our net income for the quarter.

The market price of our common stock is based in large part on professional securities analysts' expectations that our business will continue to grow and that we will achieve certain levels of net income. If our financial performance in a particular quarter does not meet the expectations of securities analysts, this may adversely affect the views of those securities analysts concerning our growth potential and future financial performance. If the securities analysts that regularly follow our common stock lower their rating of the common stock or lower their projections for our future growth and financial performance, the market price of our common stock is likely to drop significantly. In addition, in those circumstances the decrease in our common stock price would probably be disproportionate to the shortfall in financial performance.

Our rapid growth may continue to strain our operations, which could adversely affect our business and financial results. Our business, including sales, number of stores and number of employees, has grown dramatically over the past several years. In addition, we have acquired a number of significant companies in the last few years and may make additional acquisitions in the future. This growth has placed significant demands on our management and operational systems. If we are not successful in upgrading our operational and financial systems, expanding our management team and increasing and effectively managing our employee base, this growth is likely to result in operational inefficiencies and ineffective management of our business and employees, which will in turn adversely affect our business and financial performance.

Our international operations may not become profitable. We currently operate in international markets through The Business Depot Ltd. in Canada, Staples UK in the United Kingdom and Staples Deutschland in Germany. Subsequent to July 31, 1999, we have signed a definitive agreement to acquire three European companies with operations in Germany, the Netherlands and Portugal. Our consolidated European operations are currently unprofitable and we cannot guarantee that they will become profitable. We may seek to expand further into other international markets in the future. Our foreign operations encounter risks similar to those faced by our US stores, as well as risks inherent in foreign operations, such as local customs and competitive conditions and foreign currency fluctuations.

We may be unable to obtain adequate future financing. It is possible that we will require additional sources of financing earlier than we anticipate, as a result of unexpected cash needs or opportunities, and expanded growth strategy or disappointing operating results. Additional funds may not be available on satisfactory terms when needed, or at all, whether in the next twelve to eighteen months or thereafter.

YEAR 2000 READINESS DISCLOSURE

We have completed a comprehensive assessment of our internal computer systems and applications to identify those that might be affected by computer programs using two digits rather than four to define the applicable year (the "Year 2000 issue"). We have used internal personnel as well as external contractors and consultants to identify those systems and applications which are affected by the Year 2000 issue. Those systems and applications identified as needing remediation have been or will be replaced or modified and tested for compliance. Remediation of the most critical Information Technology (IT) related systems and applications was completed on schedule during the first quarter of 1999, and anticipated individual application testing was completed during the second quarter of 1999. These systems include Merchandising/Logistics, Distribution, Store Point of Sale, and Corporate Finance. The remediation of the less critical IT systems was also completed during the second quarter of 1999. These systems and applications include Marketing Systems and Non-Mission Critical Desktop Applications. Testing of these less critical IT systems and full "end to end" testing of our most critical systems is expected to be finished during the third quarter of 1999.

We have also finished our assessment of non-IT related systems and applications. Assessment regarding the status of third parties' Year 2000 compliance continues to be ongoing and may carry into early 2000. The non-IT related systems and applications include but are not limited to telephone systems, store security systems and electrical systems. The remediation of these systems was completed during the first quarter of 1999 and testing will be completed during the third quarter of 1999. We are also working with third parties, primarily major vendors but also customers, to ensure that they will be Year 2000 compliant as our schedule requires. Responses have been received from the majority of vendors, but not all vendors have assured us that they will be compliant in time. As a contingency, alternative lists of third party vendors have been created in case a critical third party does not achieve compliance. We have

completed our enterprise wide inventory review and have completed a comprehensive risk assessment relative to vendor provided products, devices and/or services. Due diligence and monitoring with respect to vendors with the greatest impact on us is scheduled to be performed on a continuous basis throughout 1999.

We have estimated that the total cost of Year 2000 compliance will be between $25 and $30 million, $24 million of which had been spent as of July 31, 1999. Most of the costs to be incurred are related to remediation and testing of software using outside contracted services. The costs of compliance have been included in our current 1999 IT budgets. The inclusion of Year 2000 compliance has not caused any critical IT projects to be delayed or eliminated.

We are currently preparing a "what steps to follow" contingency plan in the event that an area of our operations is impacted by the Year 2000 issue. A formal plan will be adopted if it becomes more evident that there will be an area of non-compliance in our systems or at a critical third party. We are developing these procedures for all of our sites and listing those to contact in the event a "Year 2000 suspected" issue is encountered. Although we expect to achieve Year 2000 compliance as scheduled, there are potential risks if we do not become or are late in becoming, Year 2000 compliant. Such risks include impairing our ability to process and deliver customer orders and payments, procure saleable merchandise, and perform other critical business functions which could have a material impact on financial performance. We have yet to analyze the effect that an instance of critical non-compliance by us or a third party would have on revenues and expenses since a worst case scenario has not been identified. Further, there is also the risk that claims may be made against us in the event of our non-compliance or the non-compliance of the products and services which we sell. The costs of defending and settling such claims could have a material impact on our financial statements. As of July 31, 1999, each

Staples point of customer contact (stores, call centers and customer service) has access to a "Year 2000 Preparedness Guide" for its customers so we can be proactive in assisting them with vendor contacts to answer their Year 2000 questions.

The information presented above is based on management's estimates which were made using assumptions of future events. Uncontrollable factors such as the compliance of the systems of third parties and the availability of resources could materially increase the cost or delay the estimated date of Year 2000 compliance. All Year 2000 statements contained herein are designated as "Year 2000 Readiness Disclosures" pursuant to the Year 2000 Information and Readiness Disclosures Act (P.L. 105-271).

EURO CURRENCY

On January 1, 1999, participating member countries of the European Union established fixed conversion rates between their existing currencies and the European Union's common currency ("the euro"). The former currencies of the participating countries are scheduled to remain legal tender as denominations of the euro until January 1, 2002 when the euro will be adopted as the sole legal currency.

We have evaluated the potential impact on our business, including the ability of our information systems to handle euro-denominated transactions and the impact on exchange costs and currency exchange rate risks. Based on the results of this evaluation, we do not expect the conversion to the Euro to have a material impact on our operations or financial position.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risk from changes in interest rates and foreign exchange rates. We initiated a risk management control process to monitor our foreign exchange and interest rate risks. The risk management process uses analytical techniques including market value, sensitivity analysis, and value at risk estimates. We do not believe that the potential exposure is significant in light of our size and our business.

On May 11, 1999 and August 3, 1999, we entered into interest rate swaps, each for an aggregate notional amount of $100,000,000, in order to minimize financing costs associated with our $200,000,000 of 7.125% senior notes due August 15, 2007. The swap agreements are both scheduled to terminate on August 15, 2007. Under the interest rate swap agreements, we are entitled to receive semi-annual interest payments at a fixed rate of approximately 7.125% and are obligated to pay interest based on 30-day US non-financial commercial paper rates. The interest rate swap is being accounted for as a hedge and the differential to be paid or received on the interest rate swap agreements is accrued and recognized as an adjustment to interest rate expense over the life of the agreements. If Staples and the counterparty to the agreements terminate the swaps prior to their original maturity, any gain or loss upon termination will be amortized to interest expense over the remaining original life of the agreements.

On July 2, 1999, we entered into an equity forward purchase agreement to hedge against stock price fluctuations for the repurchase of Staples common stock in connection with the annual stock option grant to employees and directors. Under the agreement we must purchase 2,600,000 shares at an average price of $30.263 or $78,684,000.

We are exposed to foreign exchange risks through our subsidiaries in Canada, the United Kingdom, and Germany. We have not entered into any derivative financial instruments to hedge this exposure, and believe that the potential exposure is not material to our overall financial position or the results of operations.

This risk management discussion, and the effects of changes in interest rates and foreign exchange rates, are forward-looking statements. Actual results in the future may differ materially from these projected results due to developments in the global financial markets. The analytical methods used by us to assess and mitigate risk discussed above should not be considered projections of future events or losses.

PART II -- OTHER INFORMATION

ITEMS 1-3 AND 5 - NOT APPLICABLE

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held the 1999 Annual Meeting of Stockholders (the "Annual Meeting") on . At the Annual Meeting, the following Actions were taken:

1. The stockholders elected Mary Elizabeth Burton, Rowland T. Moriarty, W. Mitt Romney and Margaret C. Whitman as Class II Directors, to serve for a three-year term. Holders of 411,395,703 shares of Common Stock voted for Ms. Burton. Holders of 411,401,810 shares of Common Stock voted for Mr. Moriarty. Holders of 411,379,226 shares of Common Stock voted for Mr. Romney. Holders of 411,399,902 shares of Common Stock voted for Ms. Whitman.

2. The stockholders approved an amendment to the Company's Restated Certificate of Incorporation increasing the number of authorized shares of Common Stock from 1,000,000,000 to 1,500,000,000 shares by a vote of

393,574,908 shares of Common Stock for, 18,189,120 shares of Common Stock against and 1,120,684 shares of Common Stock not voting.

3. The stockholders ratified the appointment of Ernst & Young LLP as the Company's independent auditors for the current fiscal year by a vote of 411,625,011 shares of Common Stock for, 330,092 shares Common Stock against and 929,609 shares of common Stock not voting.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 10-K.

A. Exhibits
27.1 Financial Data Schedule.

B. Reports on Form 8-K
Not Applicable

<PAGE> 23

SIGNATURE

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: September 10, 1999

By: /s/ John J. Mahoney

John J. Mahoney
Executive Vice President-Finance
and Chief Financial Officer
(Principal Financial Officer)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF STAPLES, INC. FOR THE SIX MONTHS ENDED JULY 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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EXHIBIT E

Claricom Networks, Inc.'s Managerial and Technical Capability

Claricom's officers and directors have extensive experience in the provision of telecommunications services and the operation of telecommunications companies. Claricom currently operates as a reseller of intrastate interexchange (toll) telecommunications services within the states of Alabama, Arizona (interim authority only) Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming, and has applications pending for authority to resell intrastate interexchange (toll) telecommunications services within the states of Arizona, New Mexico and Vermont. As of the date of this filing, Claricom has been granted authority to operate as a reseller of local exchange telecommunications services in the Commonwealth of Massachusetts and the State of New York, and has provisional authority to resell local exchange telecommunications services in the Commonwealth of Pennsylvania. Claricom also has applications for authority to resell local exchange telecommunications services pending in the District of Columbia and the states of Maryland, Ohio, Pennsylvania and Rhode Island. The services proposed in the pending applications are the same as those proposed herein. Claricom plans to seek authority to resell local exchange telecommunications services in the remaining states in coming months. In addition, as stated above, Claricom's sister corporation, Clarity Telecom Local Network Services, Inc., is authorized to resell local exchange telecommunications services in the states of

Illinois and Washington. Claricom has attached hereto biographical descriptions of the company officers who will have primary management responsibility for Claricom's business operations, as evidence that Claricom's management team possesses more than sufficient technical and managerial expertise to resell local exchange telecommunications services to customers in the State of Florida.

Edward H. Lavin

Mr. Lavin currently serves as Claricom's Chief Executive Officer. Prior to joining the Company, Mr. Lavin established and was the Chairman and Chief Executive Officer of Quest America, L.P., a long-distance reseller. Prior to establishing Quest, Mr. Lavin was Chief Executive Officer of WilTel Communications Systems, a telecommunications equipment subsidiary of WilTel, Inc. This company, formerly Centel Business Systems, was acquired by Mr. Lavin in early 1990 in an MBO, and combined with WilTel to facilitate the convergence of WilTel's network services with the large base of equipment customers resident within Centel. Annual sales rose during Mr. Lavin's tenure from $200 million to over $360 million during a period of time when industry sales were experiencing no growth. WilTel Communications Systems became the largest distributor of Northern Telecom equipment in the U.S. during this period.

From 1987 to 1990, Mr. Lavin was President of TIE Systems, Inc. ("TIE"), a nationwide telephone interconnect company with sales of $100 million. TIE began acquiring all its major distributors in the U.S. — 50 independents — to form TSI. Mr. Lavin negotiated, concluded, and assimilated the 50 different distributors into one major corporation, TSI. During Mr. Lavin's tenure, TSI achieved in excess of $100 million in sales with an annual profit of approximately $8 million.

From 1980 to 1986, Mr. Lavin was the Chairman of Canadian Telecommunications Group ("CTG"). Mr. Lavin founded this Canadian and U.S. public company, which grew to $100 million in annual sales, making it the largest independent telecommunications interconnect company in Canada. Mr. Lavin was recognized by the Canadian Government as its most successful immigrant entrepreneur during the 1980s. Mr. Lavin and CTG were also recognized by the Israel Trade Commission for Commerce between Israel and Canada during the early 1980s.

Prior to 1980, Mr. Lavin held various executive positions at L.M. Ericsson and at ADT Security Systems. In 1970, Mr. Lavin, in competition with over 600 people, became the number one sales person in ADT Worldwide. He was recognized as the President of the ADT Achievers Club.

Neil P. Lichtman

Mr. Lichtman currently serves as Claricom's President, and has complete responsibility for P&L, including sales, marketing and operations functions.

Prior to his current position, from 1997 to 1998, Mr. Lichtman was President of Claricom's Network Services Division with complete responsibility for P&L, including sales, marketing and operations functions of that division. Prior to being promoted to President of the Network Services Division, from 1996 to 1997, Mr. Lichtman held the positions of Vice-President and Senior Vice-President of the same division.

From 1995 to 1996, Mr. Lichtman was President of Executone Information Systems, Inc.'s Network Services Division, where he developed and implemented a sales strategy that significantly increased the Company's revenue.

From 1994 to 1995, Mr. Lichtman was President of the California Region of TIE Communications, where he developed and implemented a strategy that took the region from a significant financial loss to profitability.

For five years, beginning in 1989, Mr. Lichtman was the General Manager of Executone Information Systems, Inc.'s Southern California District. Through implementation of his sales strategy and operation procedures, Southern California was recognized as the number one District throughout the country.

From 1984-1989, Mr. Lichtman held various positions within Executone Information Systems, Inc., including Director of Sales Office Planning, National Sales Manager of Independent Distribution, and Regional Manager.

From 1973 to 1984, Mr. Lichtman also held positions of Sales Representative, Sales Manager, and Branch Manger with Litton Industries, and received numerous awards for top sales performance and branch management.

Joyce E. Johnson

Since 1996, Ms. Johnson has served as Claricom's Corporate and Regulatory Counsel and Assistant Secretary. Ms. Johnson established and currently manages Claricom's corporate and regulatory legal department, and is responsible for handling day-to-day activities such as telecommunications regulatory and state certification matters, contract negotiations, corporate litigation, labor and employment issues, and corporate transactions.

From 1994 to 1996, Ms. Johnson was a regulatory attorney at Executone Information Systems, Inc., managing all legal matters for the Company's corrections and long distance resale divisions.

From 1993 to 1994, Ms. Johnson served as Special Assistant Attorney General of the Regulated Industries Division of the Massachusetts Attorney General's Office, where she worked primarily on telecommunications regulatory matters. Prior to accepting continued employment as a consultant Special Assistant Attorney General, from 1992 to 1994, Ms. Johnson held the position of Assistant Attorney General of the same division. In her capacity as Assistant Attorney General, Ms. Johnson represented consumer interests in regulatory proceedings affecting telephone, gas and electric utilities.

From 1981 to 1992, Ms. Johnson held various managerial, technical and engineering positions at NYNEX Corporation, which provided leading-edge understanding of the telecommunications industry.

From 1990 to 1992, in her capacity as the Associate Director of Docket and Issue Management, she analyzed federal regulatory issues, oversaw compliance with FCC regulations, and provided guidance and information to high level managers to establish company positions

From 1987 to 1990, Ms. Johnson was the Central Office Supervisor. In that position, she supervised and trained over 20 switching equipment technicians and frame attendants to work on complex telecommunications equipment, which required knowledge of six diverse proprietary computer systems as well as a high level of expertise regarding telecommunications equipment such as fiber optics, packet switches, digital data systems, data and private line circuitry, and switching systems.

From 1982 to 1987, Ms. Johnson was a Switching Equipment Technician, and was responsible for repairing and installing toll circuits for transmission of voice and data grade telecommunications over the New York Telephone network.

From 1981 to 1982, Ms. Johnson was an Engineering Assistant, and was responsible for preparing reports and long range plans to upgrade office telecommunications equipment in the State of New York.

Ms. Johnson holds a B.S. in Business Administration from State University College (Oswego, NY) and holds a J.D. from Pace University School of Law. She is a member of the bars of the states of New York, Connecticut, and Massachusetts.

Thomas Maier

Mr. Maier currently serves as Vice President of Claricom's Network Services Division.

From June 1996 to May 1999, Mr. Maier served as Vice President of Finance in Claricom's Network Services Division.

From July 1990 to May 1996, Mr. Maier was the Controller of Executone Information Systems, Inc.'s Network Services Division — a start up operation that has since grown to a $28 million division. His responsibilities included handling finance and collections matters, and order processing.

From June 1988 to June 1990, Mr. Maier was the Accounting Manager at D'Addario Industries, Inc., a $100 million, multi-project company including construction as its major source of revenue.

From March 1986 to May 1988, Mr. Maier was an Internal Auditor for Reichhold Chemicals, Inc. Reichhold was a $250 million chemical company that sold specialty chemicals in the U.S. and international markets.

From January 1981 to February 1986, Mr. Maier was an International Internal Auditor for Richardson Vicks, Inc., a $2 billion consumer product company. His responsibilities included monitoring internal controls in finance, production and computer processing.

Mr. Maier holds a BBA in Accounting from Temple University. Mr. Maier is a CPA licensed by the State of Connecticut, and is a member of the Connecticut Society of Certified Public Accountants and the AICPA.

64705

CLARICOM, INC.
478 WHEELERS FARMS ROAD
MILFORD, CT 06460

BANKBOSTON MAINE, N.A.
SOUTH PORTLAND, ME
52-153-112

091013/7-95

21-SEP-99	64705	********250.00
	DATE	AMOUNT

Two Hundred Fifty Dollars And 00 Cents******************************

PAY

TO THE ORDER OF

FLORIDA PUBLIC SERVICE
COMMISSION
2540 SHUMARD OAK BLVD.
TALLAHASSEE, FL 32399-0850

VOID AFTER 120 DAYS
AUTHORIZED SIGNER OF
CLARICOM, INC.

Security features included. Details on back.

ORIGINAL

DICKSTEIN SHAPIRO MORIN & OSHINSKY LLP

2101 L Street NW • Washington, DC 20037-1526
Tel (202) 785-9700 • Fax (202) 887-0689
Writer's Direct Dial: (202) 833-5017
E-Mail Address: FurmanV@dsmo.com

October 29, 1999

DIVISION OF ADMINISTRATION
1999 NOV -1 AM 10: 07
FLORIDA PUBLIC SERVICE COMMISSION

VIA FEDERAL EXPRESS

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Gerald Gunter Building
Tallahassee, Florida 32399

DEPOSIT DATE
D208 OCT 29 1999

991661-TX

Re: Application of Claricom Networks, Inc. d/b/a Staples Communications – Networks for Authority to Operate as a Reseller of Local Exchange Telecommunications Services within the State of Florida

Dear Ms. Bayo:

On behalf of Claricom Networks, Inc. d/b/a Staples Communications – Networks ("Claricom"), we hereby submit an original and five (5) copies of its application and tariff for authority to operate as a reseller of local exchange telecommunications services within the State of Florida.

In accord with the Commission's Rules, Claricom has enclosed a check in the amount of $250.00, in payment of the Commission's fees for processing its application.

Claricom's

64705

CLARICOM, INC.
478 WHEELERS FARMS ROAD
MILFORD, CT 06460

BANKBOSTON MAINE, N.A.
SOUTH PORTLAND, ME
52-153-112

21-SEP-99 64705 *******$250.00
DATE AMOUNT

Two Hundred Fifty Dollars And 00 Cents****************************

PAY TO THE ORDER OF
FLORIDA PUBLIC SERVICE
COMMISSION
2540 SHUMARD OAK BLVD.
TALLAHASSEE, FL 32399-0850

VOID AFTER 120 DAYS
AUTHORIZED SIGNER OF
CLARICOM, INC.