

# BED BATH & BEYOND INC.

Notice of 2016 Annual Meeting of Shareholders

Proxy Statement

2015 Annual Report

## Consolidated Selected Financial Data (in thousands, except per share and selected operating data)

	Fiscal Year Ended <sup>(1)</sup>				
	February 27, 2016	February 28, 2015	March 1, 2014	March 2, 2013 <sup>(2)</sup>	February 25, 2012
<b>Statement of Earnings Data:</b>					
Net sales	\$12,103,887	\$11,881,176	\$11,503,963	\$10,914,585	\$ 9,499,890
Gross profit	4,620,310	4,619,779	4,565,582	4,388,755	3,930,933
Operating profit	1,414,903	1,554,293	1,614,587	1,638,218	1,568,369
Net earnings	841,489	957,474	1,022,290	1,037,788	989,537
Net earnings per share – Diluted	\$ 5.10	\$ 5.07	\$ 4.79	\$ 4.56	\$ 4.06
<b>Selected Operating Data:</b>					
Number of stores open (at period end)	1,530	1,513	1,496	1,471	1,173
Total square feet of store space (at period end)	43,274,000	43,041,000	42,619,000	42,030,000	36,125,000
Percentage increase in comparable sales	1.0%	2.4%	2.4%	2.7%	5.9%
Comparable sales (in 000's) <sup>(3)</sup>	\$11,722,973	\$11,517,454	\$10,660,573	\$ 9,819,904	\$ 9,157,183
<b>Balance Sheet Data (at period end):</b>					
Working capital	\$ 1,958,737	\$ 2,140,922	\$ 1,953,851	\$ 2,216,323	\$ 2,760,619
Total assets	6,498,940	6,758,993	6,356,033	6,279,952	5,724,546
Long-term sale/leaseback and capital lease obligations	109,274	106,948	108,046	108,364	—
Long-term debt <sup>(4)</sup>	1,500,000	1,500,000	—	—	—
Shareholders' equity <sup>(5)(6)</sup>	\$ 2,559,540	\$ 2,743,190	\$ 3,941,287	\$ 4,079,730	\$ 3,922,528

(1) Each fiscal year represents 52 weeks, except for fiscal 2012 (ended March 2, 2013) which represents 53 weeks.

(2) The Company acquired Linen Holdings, LLC. on June 1, 2012 and Cost Plus, Inc. on June 29, 2012.

(3) Comparable sales include sales consummated through all retail channels which have been operating for twelve full months following the opening period (typically four to six weeks). Of a Kind (acquired in the second quarter of fiscal 2015) is excluded from the comparable sales calculation and will continue to be excluded until after the anniversary of the acquisition. Linen Holdings is excluded from the comparable sales calculations and will continue to be excluded on an ongoing basis as it represents non-retail activity.

(4) On July 17, 2014, the Company issued \$300 million aggregate principal amount of 3.749% senior unsecured notes due August 1, 2024, \$300 million aggregate principal amount of 4.915% senior unsecured notes due August 1, 2034 and \$900 million aggregate principal amount of 5.165% senior unsecured notes due August 1, 2044.

(5) The Company has not declared any cash dividends in any of the fiscal years noted above. On April 6, 2016, the Company's Board of Directors authorized a quarterly dividend program, and declared an initial quarterly dividend of \$.125 per share to be paid on July 19, 2016 to shareholders of record as of June 17, 2016.

(6) In fiscal 2015, 2014, 2013, 2012 and 2011, the Company repurchased approximately \$1.101 billion, \$2.251 billion, \$1.284 billion, \$1.001 billion and \$1.218 billion of its common stock, respectively.

## Corporate Profile

Founded in 1971, Bed Bath & Beyond Inc. and subsidiaries is a retailer which operates under the names of Bed Bath & Beyond, Christmas Tree Shops, Christmas Tree Shops andThat! or andThat!, Harmon or Harmon Face Values, buybuy BABY and World Market, Cost Plus World Market or Cost Plus. In the second quarter of fiscal 2015, the Company acquired Of a Kind, an e-commerce website that features specially commissioned, limited edition items from emerging fashion and home designers. The Company also operates Linen Holdings, a provider of a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, healthcare and other industries. Additionally, the Company is a partner in a joint venture which operates seven retail stores in Mexico under the name Bed Bath & Beyond.

The Company sells a wide assortment of domestics merchandise and home furnishings. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings, consumables and certain juvenile products.

The Company's strategy is centered on its customer-centric culture and its commitment to customer service, supported by significant investments to strengthen the Company's foundation for future growth:

- To do more for and with its customers wherever, whenever and however they wish to interact with the Company;
- To provide its customers a seamless experience whether they interact with the Company in a store, through one of its contact centers, on a desktop, tablet, smartphone or through social media;
- To be viewed as the expert for the home, including the accompanying life stages that make a house a home, and to become the destination for customers' needs and wants as they express their life interests and travel through their life stages; all through the expanding and differentiated products, services and solutions the Company offers; and
- To enhance its ability to achieve these objectives through an ongoing commitment to world class information technology, comprehensive analytics and targeted marketing and communications.

The Company strives to do more for and with its customers by: offering an extensive breadth and depth of differentiated merchandise at the right value; presenting merchandise in a distinctive manner designed to maximize customer convenience and reinforce customer perception of a wide selection; and providing excellent customer service, including new products, services and solutions. The Company continues to expand, differentiate and leverage its assortment across all channels, concepts and countries in which it operates, to better engage with its customers wherever, whenever and however they express their life interests and travel through their life stages.



## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

**Time:** 9:00 A.M. on Friday, July 1, 2016

**Place:** The Madison Hotel  
One Convent Road  
Morristown, New Jersey 07960

**Items of Business:**

- (1) To elect ten directors until the Annual Meeting in 2017 and until their respective successors have been elected and qualified (Proposal 1).
- (2) To ratify the appointment of KPMG LLP as independent auditors for the 2016 fiscal year (Proposal 2).
- (3) To consider the approval, by non-binding vote, of the 2015 compensation paid to the Company's Named Executive Officers (Proposal 3).
- (4) To vote on shareholder proposals (Proposals 4, 5 and 6).
- (5) To transact such other business as may properly be brought before the Annual Meeting or any adjournment or adjournments.

**Record Date:** You can vote if you were a shareholder of record on May 6, 2016.

**Proxy Voting:** It is important that your shares be represented and voted at the Annual Meeting. Whether or not you plan to attend the Annual Meeting, we urge you to vote online, via telephone or to fill out the enclosed proxy card and return it to us in the envelope provided. No postage is required.

**Warren Eisenberg**  
*Co-Chairman*

**Leonard Feinstein**  
*Co-Chairman*

May 31, 2016

**Important Notice Regarding the Availability of Proxy Material for the Annual Meeting of Shareholders to be held on July 1, 2016:** this Notice of the 2016 Annual Meeting of Shareholders, Proxy Statement and the Company's 2015 Annual Report are available at [www.bedbathandbeyond.com/annualmeeting2016](http://www.bedbathandbeyond.com/annualmeeting2016)

Dear Fellow Shareholders and Beyond:

We are pleased to have completed another successful year at Bed Bath & Beyond. During fiscal 2015 we made steady progress on our strategic initiatives which included significant investments in our business to further strengthen our foundation for future growth.

At the same time, we remained vigilant in **our mission** to:

- To do more for and with our customers wherever, whenever and however they wish to interact with us;
- To provide our customers a seamless experience whether they interact with us in a store, through one of our contact centers, on a desktop, tablet, smartphone or through social media; and
- To be viewed as the expert for the home, including the accompanying life stages that make a house a home—such as getting married, having a baby, transitioning to college, and moving to a new residence, and to become the destination for our customer’s needs and wants as they express their life interests and travel through their life stages; all through the expanding and differentiated products, services and solutions we offer.

As the retail environment continues to change dramatically and advancing technologies transform the way consumers shop for merchandise both online and in-store, we continue to challenge ourselves to better understand and satisfy our customers and in turn, build a better company. While these investments currently place pressure on our operating profit, we believe that our strong balance sheet and cash flows give us the capacity to make significant investments in our future. We are confident that this is an opportune time for us to drive change throughout our organization to capitalize on these new technologies and to strengthen our position as a world-class omnichannel retailer.

**Our transformation** over the past several years has been incredible. The steps we’ve taken to transform our business have been supported by key initiatives in areas such as information technology, analytics, pricing, merchandising, marketing, customer service, fulfillment and real estate.

In recalling the old cliché, *you can’t know where you are going until you know where you have been*, below is an update on our progress.

Over the past few years, we have:

- Upgraded or replaced the majority of our customer-facing and back-end systems and introduced new systems to enable us to utilize new technology while also enhancing the security and redundancy of our systems.
- Enhanced the functionality, general search and navigation features across our customer-facing digital channels so that customers can find what they are looking for more quickly and efficiently, as well as enabled the sale of personalized product, Vendor Direct to Consumer items, and product that utilizes Less-Than-Truckload shipping, such as furniture.
- Created new services and experiences for our customers such as online appointment scheduling for registry, and a new virtual coupon wallet called My Offers, which organizes and stores print and digital coupons so customers can access and redeem them conveniently online or in-store.
- Deployed new systems, equipment and increased the bandwidth in our stores to enable our associates to be more productive and to provide a more personalized customer experience.
- Continued development of a new Point-of-Sale system, which will begin piloting in fiscal 2016.
- Built a structured analytics department with robust quantitative capabilities to help drive enhanced performance and gain deep insights into how our customers interact with us across all our concepts, channels and countries in which we operate.
- Created a pricing team and put new systems in place to better track competitor pricing to maintain our competitive position within the market.
- Rolled out additional health & beauty care, baby, food and beverage specialty departments within our stores.
- Introduced new product categories, such as mattresses, jewelry and furniture, and significantly expanded our assortment in these and other categories.
- Begun to implement a new marketing campaign management system to better target our customers and drive personalization, and began to utilize sophisticated predictive modeling to drive a more customer-centric marketing strategy.

- Established a new customer contact center in Layton, Utah, during fiscal 2015, enhancing our 24/7 customer support.
- Developed more flexible fulfillment options for customer delivery and expanded our distribution facility network to support anticipated growth across all our channels. Opened a new distribution facility in Las Vegas, Nevada during fiscal 2015.
- Continued to evaluate our real estate portfolio and opened 29 and closed 12 stores during fiscal 2015. Opened stores in new markets, tested smaller-store formats, and developed plans to evolve our stores in such a way that is more experiential and reflects how our customers utilize the products, services and solutions we provide.
- Acquired Of a Kind in fiscal 2015, an e-commerce platform geared toward millennials that offers specially commissioned, limited-edition items from up-and-coming artists and designers.
- Introduced our newest andThat! store in Kennesaw, Georgia in April 2016, designing this store to have local appeal and to become the destination for customers to find an ever-changing mix of both differentiated and close-out merchandise, spanning categories such as home décor, seasonal, food, entertaining essentials, and gifts, ALL at a great value.
- Continued the development of a unique shopping venue in Brooklyn, New York, which will include four of our concepts under one roof, to showcase our ever-increasing and evolving merchandise assortment and the integration of our omnichannel capabilities to provide a more experiential shopping environment.

**Our financial performance** in fiscal 2015 reflects the benefit of the significant investments in our business and the steady progress on our strategic initiatives. We reported fiscal 2015 net sales of \$12.1 billion, an increase of approximately 1.9%, or 2.3% on a constant currency basis, and net earnings per diluted share of \$5.10. In addition, we generated about \$1.0 billion in net cash from operations and returned \$1.1 billion to shareholders through share repurchase.

In recognition of our strong cash flow generation, and confidence in our business, as well as to provide a more balanced approach to returning value to shareholders, our Board of Directors has authorized a quarterly dividend program to commence in fiscal 2016.

This is an exciting time for our Company, and we are excited about **our future**. We believe the dynamic and ever changing retail environment presents a great opportunity for even greater success in the years ahead. The pace of change requires, and rewards, continuous innovation and the ability to adapt, as technology advances and consumer preferences evolve.

As a highly profitable market leader, we are committed to strengthening our business and making the strategic investments that will enable us to continue to do more for and with our customers. We're committed to becoming even more relevant to our existing customers and attracting new customers as they choose where, when and how to shop.

As our business transforms, we will navigate the competitive landscape to adapt as customer preferences evolve. We will seek to attract the right people and have the right technologies and products to advance our strategy. All the while, we will remain disciplined in our efforts to achieve positive returns, and improve long-term profitability.

Our healthy cash flows, and strong balance sheet, enable us to fund these investments and build upon our operational achievements, while also returning value to our shareholders.

For those of you who have followed our Company for some time, you know that we manage our business for the long term. Our aim has never been to be the biggest, but always about being the best. Our focus has never been to optimize short-term profitability, but always about creating long-term prosperity. This has never been more relevant than it is today. We remain steadfast in making the correct investments for our long-term success.

We want to thank **our more than 60,000 dedicated associates** for what they accomplished during fiscal 2015. Our foundation has never been stronger. This includes the quality of our people, our merchandise assortments, and our technologies, each of which drives our Company's success. Through the commitment of our associates, and the culture they have created, and the greatly valued contributions of our merchandise and service providers, we are looking forward to continue to satisfy our customers and in doing so, improving our competitive position in the categories in which we do business.

Thank you for your interest in Bed Bath & Beyond.

WARREN EISENBERG  
Co-Chairman and  
Co-Founder

LEONARD FEINSTEIN  
Co-Chairman and  
Co-Founder

STEVEN H. TEMARES  
Chief Executive Officer and  
Director

May 31, 2016

[THIS PAGE INTENTIONALLY LEFT BLANK]

*2016 Proxy Statement*

**BED BATH &  
BEYOND<sup>®</sup>**





# TABLE OF CONTENTS

<b>PROXY STATEMENT SUMMARY</b>	1
<b>FAQs ABOUT THE 2016 ANNUAL MEETING AND VOTING</b>	5
<b>PROPOSAL 1—ELECTION OF DIRECTORS</b>	8
Board Structure, Composition and Meetings	8
Board Nominees and Qualifications	9
Board Leadership	11
Director Independence	11
Committees of the Board of Directors	12
Compensation Committee Interlocks and Insider Participation	12
Governance Guidelines and Policies; Additional Information	13
Compensation of Directors	13
Risk Oversight	14
<b>PROPOSAL 2—RATIFICATION OF THE APPOINTMENT OF AUDITORS FOR FISCAL 2016</b>	15
Appointment of KPMG LLP	15
Fees Paid to KPMG LLP for Services and Products	15
Pre-Approval Policies and Procedures	15
Audit Committee Report for the Year Ended February 27, 2016	16
<b>PROPOSAL 3—APPROVAL, BY NON-BINDING VOTE, OF 2015 EXECUTIVE COMPENSATION</b>	17
Compensation Committee Report	18
Compensation Discussion & Analysis	18
Introduction	18
Executive Summary/Executive Compensation Philosophy and Objectives	18
Say on Pay Results and Shareholder Outreach	21
Fiscal 2016 Executive Compensation Program Decisions	22
Methodology for Determining Executive Compensation	24
Fiscal 2015 Performance Goals and Performance	29
Executive Officers	30
Compensation Tables	31
Summary Compensation Table	31
Grants of Plan Based Awards for Fiscal 2015	33
Outstanding Equity Awards at Fiscal Year End	34
Option Exercises and Stock Vested for Fiscal 2015	37
Nonqualified Deferred Compensation for Fiscal 2015	38
Employment Agreements and Potential Payments Upon Termination or Change in Control	39

TABLE OF CONTENTS

<b>PROPOSAL 4—SHAREHOLDER PROPOSAL REGARDING PROXY ACCESS BYLAWS</b>	44
<b>PROPOSAL 5—SHAREHOLDER PROPOSAL REGARDING AN EQUITY RETENTION POLICY FOR SENIOR EXECUTIVES</b>	46
<b>PROPOSAL 6—SHAREHOLDER PROPOSAL REGARDING SHAREHOLDER APPROVAL OF CERTAIN FUTURE SEVERANCE AGREEMENTS</b>	48
<b>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</b>	50
Section 16(a) Beneficial Ownership Reporting Compliance	51
<b>OTHER MATTERS</b>	52
Certain Relationships and Related Transactions	52
Householding	52
Next Year’s Annual Meeting	52
<b>2015 ANNUAL REPORT</b>	53

## PROXY STATEMENT SUMMARY

You have received these proxy materials because the Board of Directors of Bed Bath & Beyond Inc. (the “Company”, “we”, or “us”), a New York corporation, is soliciting your proxy to vote your shares at the 2016 Annual Meeting of Shareholders. This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting. Page references are supplied to help you find further information in this Proxy Statement.

### Summary of Voting Matters

The Board of Directors is not aware of any matter that will be presented for a vote at the 2016 Annual Meeting of Shareholders other than those shown below.

Proposals	Board Vote Recommendation	Page Reference
1. Election of 10 Directors	FOR each director nominee	8
2. Ratification of Appointment of Auditors	FOR	15
3. Advisory Vote on Executive Compensation	FOR	17
4. Shareholder Proposal Regarding Proxy Access Bylaws	AGAINST	44
5. Shareholder Proposal Regarding an Equity Retention Policy for Senior Executives	AGAINST	46
6. Shareholder Proposal Regarding Shareholder Approval of Certain Future Severance Agreements	AGAINST	48

### Board of Directors Nominees

You are being asked to vote on the following ten (10) nominees for director. Each director is elected annually by a majority vote of shares cast. Further information about each director can be found under “Board Nominees and Qualifications.”

Name	Director Since	Principal Occupation	Independent	Board Committee*
Warren Eisenberg	1971	Co-Founder/Co-Chairman, Bed Bath & Beyond Inc.	No	
Leonard Feinstein	1971	Co-Founder/Co-Chairman, Bed Bath & Beyond Inc.	No	
Steven H. Temares	1999	Chief Executive Officer, Bed Bath & Beyond Inc.	No	
Dean S. Adler	2001	Co-Founder and Chief Executive Officer, Lubert-Adler Partners, L.P.	Yes	CC, NC
Stanley F. Barshay	2003	Retired Executive Vice President, Merck & Co. (formerly Schering-Plough Corporation) and President of its Consumer Health Care Division	Yes	AC, CC
Geraldine T. Elliott	2014	Retired Executive Vice President, Strategic Advisor, Juniper Networks, Inc.	Yes	
Klaus Eppler (Lead Director)	1992	Pensioned partner in the law firm Proskauer Rose LLP	Yes	NC
Patrick R. Gaston	2007	Chief Executive Officer, Gaston Consulting; Past President of the Verizon Foundation and the Western Union Foundation	Yes	AC
Jordan Heller	2003	President, Heller Wealth Advisors LLC	Yes	AC
Victoria A. Morrison	2001	Executive Vice President & General Counsel, Edison Properties LLC	Yes	CC, NC

\* AC – Audit Committee; NC – Nominating and Corporate Governance Committee; CC – Compensation Committee

## Corporate Governance Highlights

<ul style="list-style-type: none"> <li>– Extensive Shareholder Engagement</li> <li>– Majority Independent Board</li> <li>– Separate Chair and CEO</li> <li>– Lead Independent Director</li> <li>– Independent Committee Members</li> <li>– &gt;75% Board and Committee Attendance in 2015</li> <li>– Annual Election of All Directors</li> <li>– Majority Voting for Uncontested Director Elections</li> <li>– Executive Sessions for Independent Directors</li> </ul>	<ul style="list-style-type: none"> <li>– No Hedging with Respect to Company Securities</li> <li>– Restrictions on Pledging Company Securities</li> <li>– No Poison Pill</li> <li>– Ownership Guidelines for CEO and Independent Directors</li> <li>– Compensation “Clawback” Policy</li> <li>– Strong Pay-For-Performance Philosophy</li> <li>– Comprehensive Policy of Ethical Standards for Business Conduct</li> <li>– Annual Board Evaluations</li> </ul>
--	---

## Fiscal 2015 Business Highlights

### *Our Strategy*

The retail environment continues to change dramatically as advancing technologies transform the way consumers shop for merchandise both online and in-store. The evolution of omnichannel retailing presents a great opportunity to provide a more seamless and personalized shopping experience for customers.

Over the past few years, Bed Bath & Beyond has driven change throughout our organization to capitalize on advancing technologies and to strengthen our business as a world-class omnichannel retailer. We have made tremendous progress in the transformation of our Company to better serve our customers in an ever-evolving digital world. At the same time, our strategy remains rooted in our customer-centric culture and commitment to customer service, supported by significant investments to strengthen our foundation for future growth:

- To do more for and with our customers wherever, whenever and however they wish to interact with us;
- To provide our customers a seamless experience whether they interact with us in a store, through one of our contact centers, on a desktop or tablet, smartphone or through social media;
- To be viewed as the expert for the home, including the accompanying life stages that make a house a home, and to become the destination for our customers’ needs and wants as they express their life interests and travel through their life stages; all through the expanding and differentiated products, services and solutions we offer; and
- To enhance our ability to achieve these objectives through an ongoing commitment to world class information technology, comprehensive analytics and targeted marketing and communications.

### *Our Performance*

During fiscal 2015, Bed Bath & Beyond made steady progress on our strategic initiatives, including significant investments in our people, technology, physical and digital channels and supply chain, to further strengthen our foundation for future growth.

Select operational highlights:

- Continued to expand, differentiate and improve our merchandise and related services and solutions.
- Developed enhanced analytics capabilities, including sophisticated, predictive modeling to drive more personalized targeted marketing.
- Introduced new services and experiences such as online appointment scheduling for registry and a new virtual coupon wallet called My Offers, which organizes and stores print and digital coupons so customers can access and redeem them conveniently online or in-store.

- Continued development of our new Point-of-Sale system, including both hardware and software elements. The new system—to be piloted in fiscal 2016—will provide a more efficient customer check out process by automating many manual processes, as well as greatly enhancing our promotional capabilities.
- Progressed development of our Liberty View project in Brooklyn, a unique shopping venue which will house four of our concepts and provide a more experiential shopping environment.
- Opened a new Customer Contact Center in Layton, Utah to enhance our 24/7 customer support.
- Expanded our supply chain network, including a new distribution facility in Las Vegas, Nevada, to provide more flexible fulfillment options and support anticipated growth across all of our channels.
- Upgraded our proprietary internal Web-based platform, The Beyond Store, and integrated it with our Bed Bath & Beyond and buybuy BABY selling websites and mobile channels, to enable our associates to better service our customers in creating web orders, comparing products, and reading product reviews.

#### Select financial highlights:

- Net sales of \$12.1 billion increased approximately 1.9% or approximately 2.3% on a constant currency basis.
- Comparable sales increased approximately 1%, or approximately 1.4% on a constant currency basis.
- Comparable sales consummated through customer facing online websites and mobile applications increased in excess of 25%.
- Diluted EPS of \$5.10, including \$0.06 of net benefits from certain non-recurring items, including a favorable state audit settlement.
- Generated \$1.0 billion in net cash from operations and returned \$1.1 billion to shareholders through share repurchase.
- Subsequent to fiscal 2015, announced Board authorization of a quarterly dividend program, which will commence in fiscal 2016.

For more information regarding our fiscal 2015 financial performance, see our Annual Report on Form 10-K for fiscal 2015 filed with the SEC on April 26, 2016.

### Shareholder Outreach—We Listened, Learned & Responded

---

We recognize the value of listening and taking into account the views of our shareholders. Building relationships with our shareholders is an integral part of our corporate governance practices. We conduct shareholder outreach throughout the year to ensure that management and the Board understand and consider the issues of importance to our shareholders and are able to consider them appropriately. On a regular basis, we also meet with shareholders and potential investors to review our operating and financial results.

After last year's Annual Meeting, at which the advisory vote on executive compensation was below our expectations, we continued our shareholder outreach program. We contacted our top twenty-five shareholders representing approximately 68% of our outstanding shares to solicit feedback and explain our strategy on corporate governance and executive compensation. Members of senior management and the Board met or spoke with shareholders representing approximately 50% of our shares.

Investor Relations is the primary contact for shareholder interaction with the Company. Investors can reach us at (908) 613-5820 or via email at [janet.barth@bedbath.com](mailto:janet.barth@bedbath.com).

### *Shareholder Feedback and Compensation Philosophy Guided Changes to Fiscal 2016 Compensation Program*

Subsequent to our shareholder engagement following the 2015 Annual Meeting and after consideration of the feedback received from our shareholders, the Compensation Committee approved the following changes to the fiscal 2016 executive compensation program:

- No increase in base salary of the Company's CEO (third consecutive year of no increase in CEO base pay) and Co-Chairmen.
- Reduced CEO target compensation from \$19.6 million to \$16.9 million, or by approximately 14%.

## PROXY STATEMENT SUMMARY

- Enhanced the rigor of and amended our Performance Stock Unit (PSU) performance-based equity plan as follows:
  - Adjusted weighting of one-year and three-year performance goals from 75/25 to 50/50, respectively, increasing the weighting of the three-year goal.
  - Applied a more strict achievement threshold for PSUs subject to the three-year performance goal by increasing the achievement percentage from 80-164% to 100-144%, to earn 100% payment.
  - Applied a Total Shareholder Return (TSR) “Regulator” to achievement thresholds of each performance goal, capping PSU awards at 100% of the target if the Company’s TSR over the performance period is negative.
  - Adjusted the vesting periods for PSUs to maintain a rate of equal vesting over four years, if performance goals are met.

## FAQs ABOUT THE 2016 ANNUAL MEETING AND VOTING

These proxy materials are delivered in connection with the solicitation by the Board of Directors of Bed Bath & Beyond Inc., a New York corporation, of proxies to be voted at our 2016 Annual Meeting of Shareholders and at any adjournment or adjournments.

This Proxy Statement, the proxy card and our 2015 Annual Report are being mailed starting May 31, 2016. The information regarding stock ownership and other matters in this Proxy Statement is as of the record date, May 6, 2016, unless otherwise indicated.

### What may I vote on?

You may vote on the following proposals:

- election of ten directors to hold office until the Annual Meeting in 2017 (Proposal 1);
- ratification of the appointment of KPMG LLP as independent auditors for the fiscal year ending February 25, 2017 (“fiscal 2016”) (Proposal 2);
- consider the approval, by non-binding vote, of the 2015 compensation paid to the Company’s Named Executive Officers (commonly known as a “say-on-pay” proposal) (Proposal 3);
- a shareholder proposal regarding proxy access bylaws (Proposal 4);
- a shareholder proposal regarding an equity retention policy for the Company’s senior executives (Proposal 5);
- a shareholder proposal requiring the Board of Directors to seek shareholder approval of certain future severance agreements (Proposal 6).

**THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF THE TEN DIRECTORS, FOR THE RATIFICATION OF THE APPOINTMENT OF AUDITORS, FOR THE SAY-ON-PAY PROPOSAL, AND AGAINST THE THREE SHAREHOLDER PROPOSALS.**

### Who may vote?

Shareholders of record of the Company’s common stock at the close of business on May 6, 2016 are entitled to receive this notice and to vote their shares at the Annual Meeting. As of that date, there were 154,366,662 shares of common stock outstanding. Each share of common stock is entitled to one vote on each matter properly brought before the Annual Meeting.

### How do I vote?

The Company encourages you to use the electronic means available to you to vote your shares. How you vote will depend on how you hold your shares of Bed Bath & Beyond Inc. common stock.

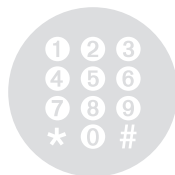
### Shareholder of Record

If your shares are registered directly in your name with Bed Bath & Beyond Inc.’s transfer agent, American Stock Transfer & Trust Company, you are considered the shareholder of record with respect to those shares, and these proxy materials are being sent directly to you. If you hold restricted stock under the Company’s 2012 Incentive Compensation Plan, you are also considered the shareholder of record with respect to those shares. As the shareholder of record, you have the right to vote by proxy.

Vote by Internet  
[www.proxyvote.com](http://www.proxyvote.com)



Vote by Phone  
1-800-690-6903



Vote by Mail  
Broadridge, 51 Mercedes Way  
Edgewood, NY 11717



Voting by any of these methods will not affect your right to attend the Annual Meeting and vote in person. However, for those who will not be voting at the Annual Meeting in person, your final voting instructions must be received by no later than 11:59 p.m. Eastern Time on June 30, 2016.

## **Beneficial Owner**

Most shareholders of Bed Bath & Beyond Inc. hold their shares through a stockbroker, bank or other nominee, rather than directly in their own name. If you hold your shares in one of these ways, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker on how to vote. Your broker or nominee has enclosed a voting instruction form for you to use in directing the broker or nominee on how to vote your shares. If you hold your shares through a New York Stock Exchange member brokerage firm, such member brokerage firm has the discretion to vote shares held on your behalf with respect to the appointment of the Company's auditors, but not with respect to any other proposal, as more fully described under "What is a broker 'non-vote?'".

## **Can I change my vote?**

Yes. If you are the shareholder of record, you may revoke your proxy before it is exercised by doing any of the following:

- sending a letter to the Company stating that your proxy is revoked;
- signing a new proxy and sending it to the Company; or
- attending the Annual Meeting and voting by ballot.

Beneficial owners should contact their broker or nominee for instructions on changing their vote.

## **How many votes must be present to hold the Annual Meeting?**

A "quorum" is necessary to hold the Annual Meeting. A quorum is a majority of the votes entitled to be cast by the shareholders entitled to vote at the Annual Meeting. They may be present at the Annual Meeting or represented by proxy. Abstentions and broker "non-votes" are counted as present and entitled to vote for purposes of determining a quorum, but are not counted for purposes of determining any of the proposals to be voted on.

## **How many votes are needed to approve the proposals?**

At the 2016 Annual Meeting of Shareholders, a "FOR" vote by a majority of votes cast is required for the election of directors, to ratify the selection of KPMG LLP as the Company's independent auditors for fiscal 2016 and to approve, by non-binding vote, the say-on-pay proposal as well as Proposals 4, 5 and 6, the shareholder proposals.

A "FOR" vote by a "majority of votes cast" means that the number of shares voted "FOR" exceeds the number of votes "AGAINST." Abstentions and broker non-votes shall not constitute votes "FOR" or votes "AGAINST."

## **What is an abstention?**

An abstention is a properly signed proxy card which is marked "abstain."

## **What is a broker "non-vote"?**

A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Under current applicable rules, Proposal 2 is a "discretionary" item upon which brokers that hold shares as nominee may vote on behalf of the beneficial owners if such beneficial owners have not furnished voting instructions by the tenth day before the Annual Meeting.

However, brokers that hold shares as nominee may not vote on behalf of the beneficial owners on the following proposals unless you provide voting instructions: Proposal 1, the election of directors, Proposal 3, the say-on-pay proposal, and Proposals 4, 5 and 6, the shareholder proposals. Therefore, if your shares are held by such nominee, please instruct your broker regarding how to vote your shares on each of these proposals. This will ensure that your shares are counted with respect to each of these proposals.

## **Will any other matters be acted on at the Annual Meeting?**

If any other matters are properly presented at the Annual Meeting or any adjournment, the persons named in the proxy will have discretion to vote on those matters. As of April 3, 2016, which is the date by which any proposal for consideration at the Annual Meeting submitted by a shareholder must have been received by the Company to be presented at the Annual Meeting, and as of the date of this Proxy Statement, the Company did not know of any other matters to be presented at the Annual Meeting.



**Who pays for this proxy solicitation?**

The Company will pay the expenses of soliciting proxies. In addition to solicitation by mail, proxies may be solicited in person or by telephone or other means by directors or associates of the Company. The Company has engaged D.F. King & Co., Inc., for a fee to be determined, to assist in the solicitation of proxies. The Company will reimburse brokerage firms and other nominees, custodians and fiduciaries for costs incurred by them in mailing proxy materials to the beneficial owners of shares held of record by such persons.

**Whom should I call with other questions?**

If you have additional questions about this Proxy Statement or the Annual Meeting or would like additional copies of this document or our 2015 Annual Report on Form 10-K, please contact: Bed Bath & Beyond Inc., 650 Liberty Avenue, Union, NJ 07083, Attention: Investor Relations Dept., Telephone: (908) 613-5820.

# PROPOSAL 1—ELECTION OF DIRECTORS

## Board Structure, Composition and Meetings

---

The Board of Bed Bath & Beyond Inc. consists of ten (10) directors. Directors are elected annually at each annual meeting to serve until the next annual meeting or until their successors are duly elected and qualified, subject to their earlier death, resignation or removal. Each of the nominees currently serves as a director and was elected by the shareholders at the 2015 Annual Meeting. Biographical information and qualifications of the nominees for director are included below under “Board Nominees and Qualifications.”

The Board has adopted a policy regarding specific, minimum qualifications for potential directors. These factors, and others as considered useful by the Board and the Nominating and Corporate Governance Committee, are reviewed in the context of an assessment of the perceived needs of the Board at a particular point in time. The Company’s policies regarding director qualifications and skills are included on the Company’s website at [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com) under the Investor Relations section.

Qualified candidates for membership on the Board will be considered without regard to race, color, creed, religion, national origin, age, gender, sexual orientation or disability. The Nominating and Corporate Governance Committee reviews and evaluates each candidate’s character, judgment, skills (including financial literacy), background, experience and other qualifications (without regard to whether a nominee has been recommended by the Company’s shareholders), as well as the overall composition of the Board, and recommends to the Board for its approval the slate of directors to be nominated for election at the annual meeting of the Company’s shareholders. While the Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity, the Committee believes that it is desirable that Board members represent a diversity of backgrounds, including gender and race, as well as diversity of viewpoints and experience.

The Board holds regular meetings each quarter and special meetings when necessary. The Board held five meetings during the fiscal year ended February 27, 2016 (“fiscal 2015”). Directors are expected to attend the Board meetings and meetings of committees of the Board on which they serve. The Company encourages, but does not require, the directors to attend the Company’s Annual Meeting of Shareholders. During fiscal 2015, all nominees for director attended more than 75% of the total number of meetings of the Board of Directors and committees on which he or she served. All of the Company’s directors attended the 2015 Annual Meeting of Shareholders.

The Board of Directors believes it is structured to provide oversight, direction and guidance to management. In doing so, the members of the Board bring to their service valuable expertise in a wide range of subject matter areas relevant to the Company in the execution of its strategy. These areas include:

- operations
- finance and financial reporting
- merchandising
- legal and regulatory compliance
- technology
- international business
- real estate
- leadership in large, complex organizations

The Board, as part of its annual self-assessment and on an ongoing basis as appropriate, considers the skills and experience of its members in relation to the needs of the Company.

## Board Nominees and Qualifications

---

The Board of Directors, upon recommendation of its Nominating and Corporate Governance Committee, has nominated for reelection as directors, for a one year term expiring at the 2017 Annual Meeting, each of the current members of the Board.

Information concerning our directors as of the record date, and the key experience, qualifications and skills they bring to our Board is provided below.

### **Warren Eisenberg**

*Co-Founder and Co-Chairman*

Mr. Eisenberg, 85, is a Co-Founder of the Company and has served as Co-Chairman since 1999. He has served as a director since 1971. Mr. Eisenberg served as Chairman from 1992 to 1999, and served as Co-Chief Executive Officer from 1971 to 2003.

### **Leonard Feinstein**

*Co-Founder and Co-Chairman*

Mr. Feinstein, 79, is a Co-Founder of the Company and has served as Co-Chairman since 1999. He has served as a director since 1971. Mr. Feinstein served as President from 1992 to 1999, and served as Co-Chief Executive Officer from 1971 to 2003.

Messrs. Eisenberg and Feinstein remain active as part of the senior leadership of the Company and bring to the Board, among other benefits, their experience in building the Company during its 45-year history and their overall experience in the retail industry, in each case for over 50 years.

### **Steven H. Temares**

*Chief Executive Officer*

Steven H. Temares, 57, has served as Chief Executive Officer of the Company since 2003. He was President and Chief Executive Officer from 2003 to 2006 and was President and Chief Operating Officer from 1999 to 2003. Mr. Temares joined the Company in 1992 and has served as a director since 1999. Mr. Temares has been part of the leadership of the Company throughout its entire history as a public company.

### **Dean S. Adler**

Dean S. Adler, 59, is a Co-Founder and Chief Executive Officer of Lubert-Adler Partners, L.P., a private real estate investment firm. He has served as a Principal of Lubert-Adler Partners, L.P. for over ten years. Mr. Adler has been a director of the Company since 2001. Mr. Adler also previously has served as a director of Developers Diversified Realty Corp., a shopping center real estate investment trust, and Electronics Boutique, Inc., a mall retailer. Among other things, Mr. Adler has wide experience and involvement in commercial real estate including, in particular, retail real estate.

### **Stanley F. Barshay**

Stanley F. Barshay, 76, has served in a variety of senior executive positions at consumer healthcare companies. He served as Executive Vice President of Merck & Co. (formerly Schering-Plough Corporation) and President of its Consumer Health Care Division from November 2009 until his retirement on April 1, 2010; prior to November 2009, Mr. Barshay was Chairman, Consumer Health Care, at Schering-Plough Corporation since June 2003. For many years, Mr. Barshay served in a variety of senior executive positions at American Home Products (now part of Pfizer). Mr. Barshay has been a director of the Company since 2003. Among other things, Mr. Barshay brings to the Board specialized knowledge about the marketing of consumer goods, and in particular health and beauty care products.

### **Geraldine T. Elliott**

Geraldine T. Elliott, 59, is retired Executive Vice President, Strategic Advisor at Juniper Networks, Inc. She served as Executive Vice President and Chief Customer Officer at Juniper Networks, Inc. from March 2013 to February 2014 after prior roles as Executive Vice President and Chief Sales Officer, and as Executive Vice President of Strategic Alliances. Ms. Elliott joined Juniper in 2009 after seven years at Microsoft Corporation, where she held a series of senior executive positions, including Corporate Vice President of the company's Industry Solutions Group, Worldwide Public Sector organization, and their North American Enterprise Sales region. Prior to joining Microsoft, Ms. Elliott spent 22 years at IBM Corporation, where she held executive and management positions in North America and Asia Pacific in sales, services, consulting, strategy development, and product management. She has been a director of the Company since February 2014. Additionally, Ms. Elliott is founder of Broadrooms.com, an informational resource for executive women serving on corporate boards in the U.S. She serves as an independent director on the boards of Whirlpool Corporation and Imperva, Inc. Among other things, Ms. Elliott brings to the Board her strategic understanding of transformative digital technologies, as well as her global marketing, sales, service and channel experience.

### **Klaus Eppler**

Klaus Eppler, 85, has been a pensioned partner in the law firm of Proskauer Rose LLP, counsel to the Company, since 2001. Mr. Eppler was an equity partner of Proskauer Rose LLP from 1965 to 2001, when he ceased active partnership with responsibilities for clients. He has been a director of the Company since 1992 and has served as outside Lead Director since 2002. Mr. Eppler has served as a director of one or more retailers, including publicly traded retailers, continuously for over 35 years. Throughout his career as a practicing attorney, he represented numerous public companies or their boards of directors, including many retail companies. Among other things, Mr. Eppler brings to the Board his experience with a wide variety of retailers.

### **Patrick R. Gaston**

Patrick Gaston, 58, is Chief Executive Officer of Gaston Consulting. From January 2013 through February 2016, he was President of the Western Union Foundation, which supports education and disaster relief efforts throughout the world with the support of the Western Union Company. From January to December 2012, he was the Chief Executive Officer of Gastal Networks, LLC, a consulting firm specializing in corporate social responsibility initiatives. From January to December 2011, he served a one-year term as Executive in Residence and Senior Advisor with the Clinton Bush Haiti Fund to support the rebuilding efforts in Haiti. Until January 2011, Mr. Gaston was President of the Verizon Foundation since 2003. Prior to assuming that position, Mr. Gaston held a variety of management positions at Verizon Communications Inc. and its predecessors since 1984, including positions in operations, marketing, human resources, strategic planning and government relations. He has been a director of the Company since 2007. Among other things, Mr. Gaston brings to the Board experience with respect to very large and complex public companies as well as extensive experience with other local, national and international organizations through his non-profit work.

### **Jordan Heller**

Jordan Heller, 55, has been President of Heller Wealth Advisors LLC, a provider of financial advisory services, since 2008. Mr. Heller was previously a partner with The Schonbraun McCann Group LLP from 2005 to 2008. Prior to joining The Schonbraun McCann Group, Mr. Heller was a Managing Director at American Economic Planning Group. He has been a director of the Company since 2003. Mr. Heller is also a director of Equity One, Inc., a shopping center developer and owner. Among other things, Mr. Heller brings to the Board experience in and knowledge of various financial matters. He is a certified public accountant, chartered financial analyst and Certified Financial Planner™, and serves as an “audit committee financial expert” on the Company’s Audit Committee.

### **Victoria A. Morrison**

Victoria A. Morrison, 63, has been the Executive Vice President & General Counsel of Edison Properties, LLC, a diversified real estate company, since 2007. Ms. Morrison was previously practicing law as a partner in the law firm of Riker, Danzig, Scherer, Hyland & Perretti LLP since 1986. She has been a director of the Company since 2001. Among other things, Ms. Morrison brings to the Board experience in and knowledge of real estate law and transactions.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE  
FOR THE ELECTION OF THE TEN NOMINEES AS DIRECTORS.**

## Board Leadership

---

Messrs. Eisenberg, Feinstein and Temares function together as the senior leaders of the Company. Since Messrs. Eisenberg, Feinstein and Temares are not “independent directors” within the meaning of NASDAQ Listing Rule 5605(a)(2), the Board of Directors appointed an independent director to serve as the outside Lead Director. Mr. Eppler has served as the outside Lead Director since 2002. The general authority and responsibilities of the outside Lead Director are established by the Board of Directors. In that capacity, Mr. Eppler presides at all executive sessions of the independent directors, has the authority to call meetings of the independent directors, acts as a liaison between the members of the Board and management, functions as Secretary of the Board (including with respect to the proposal and maintenance of Board agendas and schedules for meetings), arranges for Board committee functions and acts as Secretary of Board committees and receives communications from the Company’s shareholders.

## Director Independence

---

The Board of Directors, upon the advice of the Nominating and Corporate Governance Committee, has determined that Meses. Elliott and Morrison and Messrs. Adler, Barshay, Eppler, Gaston and Heller each are “independent directors” under the independence standards set forth in NASDAQ Listing Rule 5605(a)(2). This determination was based on the fact that each of these directors is not an executive officer or employee of the Company or has any other relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Board of Directors’ independence determination is analyzed annually in both fact and appearance to promote arms-length oversight. In making its independence determination this year, the Board of Directors considered relationships and transactions since the beginning of its 2015 fiscal year. The Board of Directors’ independence determinations included reviewing the following relationships, and a determination that the relationships and the amounts involved, in each case, were immaterial.

- Mr. Eppler is a (non-equity) pensioned partner of Proskauer Rose LLP. In 2001, he ceased active partnership with responsibilities for clients. The firm receives fees for legal services from the Company which represented a fraction of 1% of the revenues of Proskauer Rose LLP.
- Mr. Adler is a principal or executive officer of several private equity funds, each with broad commercial real estate holdings. Several funds have among their investments interests in entities which hold retail properties, and for a part of fiscal 2015, portions of two such properties were under lease to the Company or subsidiaries for the operation of four of the over 1,500 stores operated by the Company. Both properties were sold during 2015 and are no longer held by the funds. The interests of these funds in the rentals from the four stores represented a fraction of 1% of the rental income of the funds of which Mr. Adler is a principal or executive officer. In addition, Messrs. Eisenberg and Feinstein, the Company’s Co-Chairmen, have as part of their overall investment strategy investments in family limited partnerships, which partnerships hold passive interests in certain of such funds representing between approximately 1% and 3% of the interests of such funds.
- Ms. Elliott previously served as an executive of Juniper Networks, which provides network services to a significant number of companies around the world, including the Company, which obtains such services on terms and pricing generally available to Juniper customers. Ms. Elliott retired from Juniper in 2014. Ms. Elliott is a member of the Board of Directors of Whirlpool Corporation, which manufactures a wide array of kitchen and other products, some of which are purchased by the Company at market rates for resale in the ordinary course of business. Ms. Elliott is also a member of the Board of Directors of Imperva, Inc., which provides some of the Company’s firewall technology either through a third party or directly, at terms and pricing generally available to Imperva customers.
- The Company leases 15 stores (or less than 1% of the Company’s total stores) from Equity One, Inc. (or its affiliates), on whose Board of Directors Mr. Heller serves. The rental income from these stores represents approximately 2.3% of the total annual minimum rent received by Equity One.

As the Board determined, in each case, that the relationships and the amounts involved were immaterial, the Board does not believe that the relationships or transactions might reasonably impair the ability of the directors to act in the shareholders’ best interests.

## Committees of the Board of Directors

---

The Board has established standing committees to assist with performance of its responsibilities. These include: Audit, Compensation, and Nominating and Corporate Governance Committees. The Board has adopted written charters for each of these committees. The charters are available in the Investor Relations section of the Company's website at [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com). All members of the Audit, Compensation and Nominating and Corporate Governance Committees are considered independent pursuant to applicable Securities and Exchange Commission ("SEC") and NASDAQ rules, and all members of the Compensation Committee meet the "outside directors" requirements for purposes of applicable tax law.

### AUDIT

The Audit Committee assists the Board in fulfilling its oversight responsibilities by (i) overseeing the Company's accounting and financial reporting processes and the audits of the Company's financial statements, and (ii) reviewing the financial reports and other financial information provided by the Company to the public. In addition, the functions of this Committee have included, among other things, recommending to the Board the engagement or discharge of independent auditors, discussing with the auditors their review of the Company's quarterly results and the results of their annual audit and reviewing the Company's internal accounting controls. The Audit Committee held six meetings during fiscal 2015. The current members of the Committee are Messrs. Barshay, Gaston and Heller. The Board of Directors has determined that Mr. Heller is an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K.

### COMPENSATION

The Compensation Committee assists the Board by (i) considering and determining all matters relating to the compensation of the Company's Co-Chairmen, CEO and other executive officers (as defined in Rule 3b-7 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), and such other key executives as the Committee shall determine; (ii) administering and functioning as the Committee that is authorized to make grants and awards of equity compensation to executive officers and such other key executives as the Committee shall determine under the Company's equity compensation plans; and (iii) reviewing and reporting to the Board on such other matters as may be appropriately delegated by the Board for the Committee's consideration. The Committee has the authority to engage consultants and other advisors. The Compensation Committee held ten meetings during fiscal 2015. The current members of the Committee are Messrs. Adler and Barshay and Ms. Morrison.

### NOMINATING AND CORPORATE GOVERNANCE

The Nominating and Corporate Governance Committee assists the Board by (i) reviewing and recommending changes in certain policies regarding the nomination of directors to the Board for its approval; (ii) identifying individuals qualified to become directors; (iii) evaluating and recommending for the Board's selection nominees to fill positions on the Board; and (iv) recommending changes in the Company's corporate governance policies to the Board for its approval. The Committee also oversees Board and management succession planning. The Committee's policy is to identify potential nominees based on properly submitted suggestions from any source and has established procedures to do so. In addition, the Board may determine that it requires a director with a particular expertise or qualification and will actively recruit such a candidate. The Nominating and Corporate Governance Committee also has the authority to retain third party search firms to evaluate or assist in identifying or evaluating potential nominees. Shareholders wishing to propose a director candidate for nomination must provide timely notice of such nomination in accordance with the Company's Amended By-Laws. The Nominating and Corporate Governance Committee held one meeting during fiscal 2015. The current members of the Committee are Messrs. Adler and Eppler and Ms. Morrison.

## Compensation Committee Interlocks and Insider Participation

---

None of the members of the Compensation Committee was (i) during fiscal 2015, an officer or employee of the Company or any of its subsidiaries or (ii) formerly an officer of the Company or any of its subsidiaries.

None of our executive officers currently serves, or in fiscal 2015 has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board of Directors or Compensation Committee.

## Governance Guidelines and Policies; Additional Information

The Board has adopted Corporate Governance Guidelines that are available in the Investor Relations section of the Company's website at [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com), where you may also find the Company's policies on director attendance at the Annual Meeting and how shareholders can communicate with the Board of Directors. In addition, the Board has adopted a Policy of Ethical Standards for Business Conduct that applies to all directors and employees. This Policy also can be found in the Investor Relations section of the Company's website noted above. The Company intends to post on this website any amendments to, or waivers from, the Code of Ethics that applies to the principal executive officer, financial officer and accounting officer.

The Company maintains directors and officers indemnification insurance coverage. This insurance covers directors and officers individually where exposures exist other than those for which the Company is able to provide indemnification. This coverage is from June 1, 2015 through June 1, 2016, at a total cost of approximately \$251,000. The primary carrier is Arch Insurance Company. Although no assurances can be provided, the Company intends to obtain similar coverage from June 1, 2016 through June 1, 2017.

## Compensation of Directors

The Director Compensation Table provides compensation information for each member of our Board of Directors during fiscal 2015, other than Warren Eisenberg, Leonard Feinstein and Steven H. Temares, each of whom is a Named Executive Officer of the Company and none of whom received any additional compensation for his service as a director of the Company.

Annual director fees for fiscal 2015 were \$100,000. In addition, directors serving on standing committees of the Board of Directors were paid as follows: an additional \$10,000 for Audit Committee members, an additional \$7,500 for Compensation Committee members, and (other than for the Lead Director) an additional \$5,000 for Nominating and Corporate Governance Committee members. The Lead Director received an additional \$15,000 for acting in that capacity. Director fees are paid on a quarterly basis. Directors have the right to elect to receive all or 50% of their fees in stock. In addition to the fees above, each director received a grant of restricted stock under the Company's 2012 Incentive Compensation Plan with a fair market value equal to \$90,000 on the date of the Company's 2015 Annual Meeting of Shareholders (calculated based on the average of the high and low trading prices on such date). Such restricted stock vested on the last day of fiscal 2015.

As described more fully below, the following table summarizes the annual compensation for the non-employee directors as members of our Board of Directors during fiscal 2015.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(2)</sup>	Total (\$)
Dean S. Adler	112,500 <sup>(1)</sup>	90,000	202,500
Stanley F. Barshay	117,500	90,000	207,500
Geraldine T. Elliott	100,000	90,000	190,000
Klaus Eppler	115,000	90,000	205,000
Patrick R. Gaston	110,000 <sup>(3)</sup>	90,000	200,000
Jordan Heller	110,000	90,000	200,000
Victoria A. Morrison	112,500	90,000	202,500

(1) This director fee was paid in shares of common stock of the Company pursuant to the Bed Bath & Beyond Plan to Pay Directors Fees in Stock and the number of shares was determined (in accordance with the terms of such plan) based on the fair market value per share on the second business day following the announcement of the Company's financial results for its fiscal third quarter, which was \$46.23 per share, the average of the high and low trading prices on January 11, 2016.

(2) Represents the value of 1,296 restricted shares of common stock of the Company granted under the Company's 2012 Incentive Compensation Plan at fair market value on the date of the Company's 2015 Annual Meeting of Shareholders (\$69.47 per share, the average of the high and low trading prices on July 2, 2015), such restricted stock to vest on the last day of the fiscal year of grant provided that the director remains in office until the last day of the fiscal year. No stock awards were outstanding for each director as of February 27, 2016.

(3) Fifty percent of this director fee was paid in shares of common stock of the Company pursuant to the Bed Bath & Beyond Plan to Pay Directors Fees in Stock and the number of shares was determined (in accordance with the terms of such plan) as described in footnote (1).



## Risk Oversight

---

As part of its oversight responsibility, the Board receives at least annually a report on the material risks facing the Company, which risks are identified through the Company's Enterprise Risk Management ("ERM") process. This report is presented to the Board by a committee of key executives representing legal, compliance, finance and internal audit, and results from a formal process where members of the committee meet with executives of each principal business function to identify and assess the significant risks in each such business function's areas of responsibility. The committee then analyzes with those executives what risk mitigation efforts are or should be in place to eliminate or reduce such risks to acceptable levels, where possible, and then engages on these matters with the full Board of Directors. In the annual ERM report, areas of risk and mitigation efforts reviewed with the full Board in furtherance of its oversight responsibilities generally include: general business risks, such as economic forces, competition and weather; employment-related risks, such as recruitment and retention, succession, labor costs and associate relations; data security risks with respect to Company, associate and customer data; compliance risks associated with the range of legal, accounting, tax, and financial reporting systems under which the Company operates; supply chain risks, including disruption arising from political instability or labor disturbances, supplier financial stability and legal compliance; and compliance with a variety of product, labor, social, and environmental standards. The Board is updated on certain risks more frequently than annually, upon request or as developments warrant.

The ERM process and report to the Company's Board of Directors also informs the more detailed Risk Factor disclosure in the Company's annual report on Form 10-K, filed with the Securities & Exchange Commission.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR  
THE ELECTION OF THE TEN NOMINEES AS DIRECTORS.**



## PROPOSAL 2—RATIFICATION OF THE APPOINTMENT OF AUDITORS FOR FISCAL 2016

### Appointment of KPMG LLP

---

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the Company's independent registered public accounting firm. The Audit Committee has appointed KPMG LLP to serve as our independent auditors for fiscal 2016, subject to ratification by our shareholders. The Company's auditors have been KPMG LLP for every year that it has been a public company. The Audit Committee and the Board of Directors believe that the continued retention of KPMG LLP as our independent registered public accounting firm is in the best interest of the Company and our shareholders.

Representatives of KPMG LLP will be present at the Annual Meeting to answer questions. They will also have the opportunity to make a statement if they desire to do so. If the proposal to ratify their appointment is not approved, other certified public accountants will be considered by the Audit Committee. Even if the proposal is approved, the Audit Committee, in its discretion, may direct the appointment of new independent auditors at any time during the year if it believes that such a change would be in the best interest of the Company and its shareholders.

### Fees Paid to KPMG LLP for Services and Products

---

The Audit Committee is responsible for the approval of the audit fee associated with the Company's retention of KPMG LLP. The fees incurred by the Company for professional services rendered by and products purchased from KPMG LLP for fiscal 2015 and the fiscal year ended February 28, 2015 ("fiscal 2014") were as follows:

	2015	2014
Audit Fees	\$1,214,000	\$1,214,000
Audit-Related Fees	—	86,000
Tax Fees	61,000	81,000
All Other Fees	3,000	3,000
	<u>\$1,278,000</u>	<u>\$1,384,000</u>

In fiscal 2015 and fiscal 2014, in accordance with the SEC's definitions and rules, "Audit Fees" included fees associated with the annual audit of the Company's financial statements, the assessment of the Company's internal control over financial reporting as integrated with the annual audit of the Company's financial statements and the quarterly reviews of the financial statements included in its Form 10-Q filings. In fiscal 2014, "Audit-Related Fees" included fees for procedures required due to a Form S-3 registration statement and for a review of the accounting for the accelerated share repurchase program. In fiscal 2015 and fiscal 2014, "Tax Fees" included fees associated with tax planning, tax compliance (including review of tax returns) and tax advice (including tax audit assistance). The Audit Committee has concluded that the provision of the foregoing services is compatible with maintaining KPMG LLP's independence. In addition to fees for audit and non-audit services, in fiscal 2015 and 2014, the Company paid a subscription fee for a KPMG sponsored research product, reflected above in "All Other Fees."

### Pre-Approval Policies and Procedures

---

In accordance with the Audit Committee charter, the Audit Committee must pre-approve all audit and non-audit services provided to the Company by its outside auditor. To the extent permitted by applicable laws, regulations and NASDAQ rules, the Committee may delegate pre-approval of audit and non-audit services to one or more members of the Committee. Such member(s) must then report to the full Committee at its next scheduled meeting if such member(s) pre-approved any audit or non-audit services.

In fiscal 2015 and fiscal 2014, all (100%) audit and non-audit services were pre-approved in accordance with the Audit Committee charter.

## Audit Committee Report for the Year Ended February 27, 2016

---

The Board of Directors has determined that the membership of the Audit Committee meets the SEC and NASDAQ independence and experience requirements. The Board of Directors has also determined that Mr. Heller qualifies as an “audit committee financial expert.”

The Audit Committee discussed the auditors’ review of quarterly financial information with the auditors prior to the release of that information and the filing of the Company’s quarterly reports with the SEC; the Audit Committee also met and held discussions with management and the independent auditors with respect to the audited year-end financial statements.

Further, the Audit Committee discussed with the independent auditors the matters required to be discussed by the Public Company Accounting Oversight Board Auditing Standard No. 16, “Communications with Audit Committees,” received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant’s communications with the Audit Committee concerning independence and discussed with the auditors the auditors’ independence. The Committee also discussed with the auditors and the Company’s financial management matters related to the Company’s internal control over financial reporting. Based on these discussions and the written disclosures received from the independent auditors, the Committee recommended that the Board of Directors include the audited financial statements in the Company’s Annual Report on Form 10-K for the year ended February 27, 2016, filed with the SEC on April 26, 2016.

This audit committee report is not deemed filed under the Securities Act of 1933 or the Securities Exchange Act of 1934 and is not incorporated by reference into any filings that the Company may make with the SEC.

### AUDIT COMMITTEE

Stanley F. Barshay  
Patrick R. Gaston  
Jordan Heller

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR  
THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP  
AS INDEPENDENT AUDITORS FOR FISCAL 2016.**

## PROPOSAL 3—APPROVAL, BY NON-BINDING VOTE, OF 2015 EXECUTIVE COMPENSATION

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934, the Company is providing its shareholders the opportunity to cast an advisory vote on the compensation of its named executive officers for fiscal 2015. This proposal, commonly known as a “say-on-pay” proposal, gives the Company’s shareholders the opportunity to express their views on named executive officers’ compensation.

The Board of Directors recommends a vote in favor of the following resolution:

“RESOLVED, that the compensation paid to the Company’s named executive officers for fiscal 2015, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.”

This proposal is not binding upon the Company. However, the Compensation Committee, which is responsible for designing and administering the Company’s executive officer compensation program, values the opinions expressed by shareholders in the Compensation Committee’s ongoing engagement, discussed below, and considers the views provided by shareholders when making future compensation decisions for named executive officers. The affirmative vote of the holders of a majority of the votes cast by our shareholders in person or represented by proxy and entitled to vote is required to approve this proposal.

The following Compensation Discussion & Analysis referenced in the Compensation Committee report is intended to provide additional information and detail for your consideration of the proposal.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF THE COMPANY’S NAMED EXECUTIVE OFFICERS FOR FISCAL 2015 AS DISCLOSED IN THIS PROXY STATEMENT.**

## Compensation Committee Report

---

The Compensation Committee of the Company's Board of Directors has submitted the following report for inclusion in this Proxy Statement:

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this Proxy Statement. Based on the Compensation Committee's review of and the discussions with management with respect to the Compensation Discussion and Analysis, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Company's Annual Report on Form 10-K for fiscal 2015 for filing with the SEC.

The foregoing report is provided by the following directors, who constitute the fiscal year 2015 Compensation Committee:

### COMPENSATION COMMITTEE

Dean S. Adler  
Stanley F. Barshay  
Victoria A. Morrison

## Compensation Discussion & Analysis (CD&A)

---

### Introduction

In this section, we describe our executive compensation philosophy and program that we have implemented to support our strategic objectives and serve the long-term interests of our shareholders. We also discuss how our principal executive officer, principal financial officer, and certain other Named Executive Officers (our NEOs) were compensated in fiscal 2015 and describe how their compensation fits within our executive compensation philosophy. Finally, we discuss changes made to our executive compensation structure for 2016 after consideration of input from our shareholders, with the purpose of better aligning performance goals with our long-term strategy.

This CD&A is organized as follows:

- Executive Summary (page 18), including our executive compensation philosophy and objectives, an overview of our strategy, some highlights of our fiscal 2015 operational and financial performance.
- Say on Pay Results and Shareholder Outreach (page 21) presents a summary of our 2015 advisory vote on executive compensation and our efforts to engage with shareholders to better understand their interests, concerns and suggestions.
- Fiscal 2016 Executive Compensation Program Decisions (page 22) describes modifications to our executive compensation program, based in part on input from shareholders and adopted to even better align the performance goals with our long-term strategy.
- Methodology for Determining Executive Compensation (page 24) explains our compensation design process, the elements of our NEO compensation packages, which are heavily weighted toward performance-based compensation and provides a review of the senior executive compensation for fiscal 2015, including other benefits and considerations.
- Fiscal 2015 Performance Goals and Performance (page 29) describes the fiscal 2015 performance goals under our long-term incentive program, our performance compared to those goals, and the resulting NEO incentive payouts for fiscal 2015.

### Executive Summary/Executive Compensation Philosophy and Objectives

Our compensation programs are determined by the Compensation Committee of the Board of Directors, with the assistance of an independent consultant. The primary objectives of the Company's executive officer compensation program are to:

- Align rewards with performance that enhances shareholder value by heavily weighting compensation with equity;
- Retain an executive team that drives the long-term success of the Company;

- Support the Company's strong team orientation;
- Attract additional talented executives as required, and encourage high-potential team players to build a career at the Company; and
- Provide financial rewards and incentives that are competitive with other organizations and fair to employees and shareholders.

The Company believes that its compensation policies, plans and programs have no material adverse effect on the Company's enterprise risk.

The Company believes that a key factor in its success to date has been the stability of its executive team. The average tenure of our NEOs is approximately 33 years, which has created a very cohesive executive team, led by our CEO Steven Temares, which has deep knowledge of the Company as well as the depth and breadth of experience to navigate the ever-evolving and dramatically changing retail landscape. The assembly and retention of this executive team and its team-based approach has also contributed to the Company's strong corporate culture to think long-term and do whatever it takes to satisfy a customer. To that end, the Company's policy is to seek, whenever possible, at all levels, to promote from within and to make compensation program changes gradually in order to compensate executives in a manner designed to promote the long-term success of the organization as well as to maintain a level of stability. Compensation heavily weighted toward equity awards that vest over four or five years also supports such stability.

The Company's compensation programs do not include annual cash bonuses and allocate the majority of each executive's compensation to long-term equity awards and performance-based compensation. The Compensation Committee firmly believes that annual cash bonuses promote short-term thinking and are in direct contrast to the Bed Bath & Beyond culture which is rooted in a commitment to customer service and a desire to achieve long-term success. The Committee believes that paying a fair base salary and putting all other compensation in the form of long-term equity awards and performance-based compensation creates alignment with the Company's and shareholders' goal of incenting management to continue to enhance shareholder value over the long term.

The increased pace of change in the retail environment over the past several years has been fueled by advancing technologies that are impacting the way consumers are able to make shopping decisions and purchase products and services. At the same time, our Company has been driving change—across our organization—through significant investments in our people as well as Information Technology, Digital and Mobile capabilities, Analytics, Pricing, Merchandising, Marketing, Store Operations, Customer Service, Real Estate as well as our Supply Chain network.

The Compensation Committee recognizes the significant transformation occurring within the Company and the level of fortitude and expertise required to create the right balance between achieving positive results in the near-term, and investing for long-term success. We have great confidence in our executive team and their ability to further strengthen and position Bed Bath & Beyond as a world-class omnichannel retailer.

### *Our Strategy*

The retail environment continues to change dramatically as advancing technologies transform the way consumers shop for merchandise both online and in-store. The evolution of omnichannel retailing presents a great opportunity to provide a more seamless and personalized shopping experience for customers.

Over the past few years, Bed Bath & Beyond has driven change throughout our organization to capitalize on advancing technologies and to strengthen our business as a world-class omnichannel retailer. We have made tremendous progress in the transformation of our Company to better serve our customers in an ever-evolving digital world. At the same time, our strategy remains rooted in our customer-centric culture and commitment to customer service, supported by significant investments to strengthen our foundation for future growth:

- To do more for and with our customers wherever, whenever and however they wish to interact with us;
- To provide our customers a seamless experience whether they interact with us in a store, through one of our contact centers, on a desktop or tablet, smartphone or through social media;
- To be viewed as the expert for the home, including the accompanying life stages that make a house a home, and to become the destination for our customers' needs and wants as they express their life interests and travel through their life stages; all through the expanding and differentiated products, services and solutions we offer; and
- To enhance our ability to achieve these objectives through an ongoing commitment to world class information technology, comprehensive analytics and targeted marketing and communications.

We recognize that the investments we are making impact our operating profit in the short term. However, this multi-year investment cycle, including fiscal 2015, has produced meaningful change across many key areas of our business including Information Technology, Digital and Mobile capabilities, Analytics, Pricing, Merchandising, Marketing, Store Operations, Customer Service, Real Estate as well as our Supply Chain network.

We believe that our foundation has never been stronger than it is today, including the quality of our people, our merchandise assortments and our technologies. We remain steadfast in making the right investments to position our Company for long-term success. We are excited about the opportunities that will enable us to continue to do more for and with our customers and to strengthen our business as a world-class omnichannel retailer.

Our fiscal 2015 financial performance reflects the benefit of the significant investments in our business, steady progress on our strategic initiatives, and the return of \$1.1 billion to our shareholders through share repurchase.

This is an exciting time for Bed Bath & Beyond. We are confident that we are making the right investments to position our Company for long-term profitable growth, and to further enhance shareholder value. To that end, subsequent to fiscal 2015, our Board of Directors authorized a quarterly dividend program that will commence in fiscal 2016. Our Board took this action in recognition of the Company's strong cash flow generation and confidence in our business, as well as to provide a more balanced approach to returning value to shareholders. In addition to the dividend, the Company will continue to repurchase shares under our current \$2.5 billion authorization, subject to business and market conditions.

### *Our Performance*

During fiscal 2015, we made steady progress on our strategic initiatives, including significant investments in our people, technology, physical and digital channels and supply chain, to further strengthen our foundation for future growth.

#### Select operational highlights:

- Continued to expand, differentiate and improve our merchandise and related services and solutions.
- Developed enhanced analytics capabilities, including sophisticated, predictive modeling to drive a more personalized targeted marketing strategy.
- Introduced new services and experiences such as online appointment scheduling for registry and a new virtual coupon wallet called My Offers, which organizes and stores print and digital coupons so customers can access and redeem them conveniently online or in-store.
- Continued development of our new Point-of-Sale system, including both hardware and software elements. The new system—to be piloted in fiscal 2016—will provide a more efficient customer check out process by automating many manual processes, as well as greatly enhancing our promotional capabilities.
- Progressed development of our Liberty View project in Brooklyn, a unique shopping venue which will house four of our concepts and provide a more experiential shopping environment.
- Opened a new Customer Contact Center in Layton, Utah to enhance our 24/7 customer support.
- Expanded our supply chain network, including a new distribution facility in Las Vegas, Nevada, to provide more flexible fulfillment options and support anticipated growth across all of our channels.
- Upgraded our proprietary internal Web-based platform, The Beyond Store, and integrated it with our Bed Bath & Beyond and buybuy BABY selling websites and mobile channels, to enable our associates to better service our customers in creating web orders, comparing products, and reading product reviews.

#### Select financial highlights:

- Net sales of \$12.1 billion increased approximately 1.9% or approximately 2.3% on a constant currency basis.
- Comparable sales increased approximately 1%, or approximately 1.4% on a constant currency basis.
- Comparable sales consummated through customer facing online websites and mobile applications increased in excess of 25%.
- Diluted EPS of \$5.10, including \$0.06 of net benefits from certain non-recurring items, including a favorable state audit settlement.
- Generated \$1.0 billion in net cash from operations and returned \$1.1 billion to shareholders through share repurchase.
- Subsequent to fiscal 2015, announced Board authorization of a quarterly dividend program, which will commence in fiscal 2016.

For more information regarding our fiscal 2015 financial performance, see our Annual Report on Form 10-K for fiscal 2015 filed with the SEC on April 26, 2016.

## Say on Pay Results and Shareholder Outreach

Over the past several years we have expanded our shareholder outreach program. The feedback received through our engagement efforts led us to make initial changes to our executive compensation program in 2014, which were announced prior to the Annual Meeting of Shareholders in July 2014 and included in our 2014 Proxy Statement. The program remained consistent in fiscal 2015. While this engagement and enhanced disclosure was generally well received by our shareholders, the advisory vote on our executive compensation at our 2015 Annual Meeting of Shareholders was below expectations, with approximately 35% of votes cast in favor, down from 72% support the prior year.

Since that time, we have continued to engage with our shareholders to discuss various compensation and governance matters:

- Contacted top twenty-five shareholders representing approximately 68% of the total shares outstanding (as of March 26, 2016).
- Representatives of the Compensation Committee, along with the Co-Chairmen and management, met in person with nine institutional shareholders representing approximately 31% of the total outstanding shares, as well as held conversations with a leading proxy advisory firm.
- Representatives of the Compensation Committee and management spoke with an additional six institutional shareholders by phone, representing approximately 18% of the total outstanding shares.
- In these meetings, our shareholders expressed a wide range of viewpoints relating to compensation and governance practices. This engagement process was very informative and productive.

Key feedback included the following:

Shareholder Feedback	Our Responses
Concerns regarding magnitude of CEO pay	<p>Following our shareholder engagement after the 2015 Annual Meeting and after consideration of the issues discussed with our shareholders, the Compensation Committee approved the following actions with respect to our CEO compensation in 2016:</p> <ul style="list-style-type: none"> <li>• No salary increase for our CEO, marking third consecutive year.</li> <li>• Reduced CEO target compensation from \$19.6 million to \$16.9 million, or by approximately 14%.</li> <li>• In addition, the Compensation Committee enhanced the rigor of and amended our PSU compensation performance goals applicable to our CEO and other senior executives as described in this chart below.</li> </ul>
Concerns regarding rigor of performance goals	<p>Payouts tied to PSU performance goals are contingent upon achievement of various levels of Earnings Before Interest and Taxes (EBIT) margin and Return on Invested Capital (ROIC) as well as the continued performance of service by the executives. After consideration of shareholder feedback, the Compensation Committee has enhanced the rigor of and amended these performance goals for fiscal 2016 by:</p> <ul style="list-style-type: none"> <li>• Adjusting the weighting of one-year and three-year performance goals from 75/25 to 50/50, respectively, increasing the weighting of the three-year goal.</li> <li>• Applying a more strict achievement threshold for PSUs subject to the three-year performance goal by increasing the achievement percentage from 80-164% to 100-144%, to earn 100% payment.</li> <li>• Applying a Total Shareholder Return (TSR) “Regulator” to achievement thresholds of each performance goal, capping PSU awards at 100% of the target if the Company’s TSR over the performance period is negative.</li> <li>• Adjusting the vesting periods for PSUs to maintain a rate of equal vesting over four years, if performance goals are met.</li> </ul>



Shareholder Feedback	Our Responses
Suggestion to better articulate our business strategy and linkage to executive compensation program	In 2016, we significantly expanded our disclosure regarding our investment strategy to become a world-class omnichannel retailer and the progress we have made in transforming our business over the past several years. We believe that a combination of a one-year performance goal based on EBIT margin and a three-year goal based on ROIC, in each case relative to a retail industry peer group, are appropriate to support this long-term strategy. A performance goal based on EBIT margin incentivizes short-term fiscal discipline as these investments are being made, while a performance goal based on ROIC measures how these investments are returning value to the enterprise over the long term.
Suggestion to better articulate our philosophy regarding cash bonuses	The Compensation Committee firmly believes that annual cash bonuses promote short-term thinking and are in direct contrast to the Bed Bath & Beyond culture which is rooted in a commitment to customer service and a desire to achieve long-term success. The Committee believes that paying a fair base salary and putting all other compensation in the form of long-term equity awards and performance-based compensation creates alignment with the Company's and shareholders' goal of incenting management to continue to enhance shareholder value over the long term.

The Compensation Committee will continue to actively engage with shareholders to discuss various compensation and governance matters and will consider their feedback in any future changes to the Company's executive compensation program.

### Fiscal 2016 Executive Compensation Program Decisions

The Compensation Committee continues to believe that a combination of Performance Stock Units (including an EBIT performance metric requiring fiscal discipline in a short-term one-year period with vesting that extends over two years, and an ROIC performance metric that measures the return on the investments being made to address a rapidly changing industry over a three-year period with vesting after years three and four), together with stock options vesting over three or five years, appropriately aligns the compensation program with both the short- and long-term interests of the Company's shareholders.

Subsequent to the recent shareholder engagement efforts and in discussion with the full Board of Directors, the Compensation Committee made further changes to the Company's executive compensation program for fiscal 2016, building on changes made during the prior two years. The Compensation Committee believes these changes further strengthen the direct link between pay and performance.



## Summary of Executive Compensation and Relevant Governance Changes

In furtherance of the objectives of aligning compensation awards with performance, while retaining an executive team that drives the long-term success of the Company, the Compensation Committee has made significant changes to the Company's executive officer compensation program over the last three years.

<b>FY 2016</b>
<ul style="list-style-type: none"> <li>• No increase in base salary of the Company's CEO (third consecutive year of no increase in CEO base pay) and Co-Chairmen.</li> <li>• Reduced CEO target compensation from \$19.6 million to \$16.9 million, or by approximately 14%.</li> <li>• Enhanced the rigor of and amended our Performance Stock Unit (PSU) performance-based equity plan as follows: <ul style="list-style-type: none"> <li>◦ Adjusted weighting of one-year and three-year performance goals from 75/25 to 50/50, respectively, increasing the weighting of the three-year goal.</li> <li>◦ Applied a more strict achievement threshold for PSUs subject to the three-year performance goal by increasing the achievement percentage from 80-164% to 100-144%, to earn 100% payment.</li> <li>◦ Applied a Total Shareholder Return (TSR) "Regulator" to achievement thresholds of each performance goal, capping PSU awards at 100% of the target if the Company's TSR over the performance period is negative.</li> <li>◦ Adjusted the vesting periods for PSUs to maintain a rate of equal vesting over four years, if performance goals are met.</li> </ul> </li> <li>• Maintained practice of not awarding cash bonuses.</li> </ul>
<b>FY 2015</b>
<ul style="list-style-type: none"> <li>• CEO annual base salary amount remained unchanged since 2014 (second consecutive year of no increase).</li> </ul>
<b>FY 2014</b>
<ul style="list-style-type: none"> <li>• The Company significantly redesigned its 2014 equity incentive program for the Named Executive Officers, with a view toward further strengthening the direct link between pay and performance and providing performance metrics that are fundamental to the business and aligned with shareholder value creation.</li> <li>• The features of the program for fiscal 2014 included the following: <ul style="list-style-type: none"> <li>◦ No increase in base salary for the Company's CEO or Co-Chairmen. The Company also maintained its practice of not awarding cash bonuses.</li> <li>◦ A revised performance-based equity plan with the following components: <ul style="list-style-type: none"> <li>▪ One-year performance goal based upon EBIT margin relative to a retail industry peer group, under which awards vest in three equal annual installments from date of grant. The Compensation Committee believed it appropriate to set a target based upon EBIT margin when compared to a retail industry peer group, to incentivize continued operational and fiscal discipline as management executes against the Company's strategic goals.</li> <li>▪ Three-year performance goal based upon ROIC relative to a retail industry peer group, under which awards vest four years after grant. The Compensation Committee believed that, as a relative measure compared to a retail industry peer group, ROIC over a three-year period provides a suitable metric to measure how the Company's investments are returning value to the enterprise.</li> </ul> </li> <li>◦ Awards of stock options, which were intended to be valued at no more than one-third of total performance-based equity, vesting over a five-year period (three years for the Co-Chairmen). The Compensation Committee believed stock options provide further incentives aligned with the long-term interests of shareholders.</li> </ul> </li> <li>• In addition, the Board of Directors adopted the following: <ul style="list-style-type: none"> <li>◦ Stock ownership guidelines that require the Company's CEO and each outside director to hold the Company's common stock with a value of at least \$6,000,000 and \$300,000, respectively.</li> <li>◦ Restrictions on engaging in hedging transactions involving the Company's common stock and on pledging such common stock, in each case, by the Company's directors and executive officers.</li> </ul> </li> </ul>

Below is a summary of our executive compensation practices that we have implemented to drive performance, as well as practices we avoid because we do not believe they serve investors’ long-term interests.

<b>What We Do</b>	
Provide a majority of pay in equity and performance-based compensation.	Use an independent compensation consulting firm, which provides no other services to Bed Bath & Beyond, and independent counsel.
Pay for performance based on measurable goals tied to Company strategy.	Engage in shareholder outreach.
Apply multi-year vesting to equity awards.	Require significant stock ownership for CEO and each outside director with a value of at least \$6,000,000 and \$300,000, respectively.
Include caps on individual payouts in incentive plans.	Subject incentive pay to compensation recovery “claw-back” policy.
Conduct an annual advisory vote on executive compensation.	Limit outside board memberships.
Have a lead director and a high proportion of independent directors.	
<b>What We Don’t Do</b>	
Design compensation programs using cash bonuses, to avoid short-termism.	Have excessive perquisites, or allow tax gross-ups for perquisites or upon a change in control.
Allow hedging and unrestricted pledging of the Company’s securities.	Allow re-pricing of stock options.

## Methodology for Determining Executive Compensation

The Compensation Committee has engaged the services of an independent compensation consultant, retaining Arthur J. Gallagher & Co. Human Resources & Compensation Consulting Practice (Gallagher) or its predecessor to conduct a compensation review for the Named Executive Officers and certain other executives. Gallagher has not served the Company in any other capacity except as consultants to the Compensation Committee. The Compensation and the Nominating and Corporate Governance Committees also receive advice and assistance from the law firm of Chadbourne & Parke LLP, which has acted as counsel only to the Company’s independent directors and its Board committees. The Compensation Committee has concluded that no conflict of interest exists that prevents Gallagher or Chadbourne from being independent advisors to the Compensation Committee.

The Compensation Committee charter, which describes the Compensation Committee’s function, responsibilities and duties, is available on the Company’s website at [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com) under the Investor Relations section. The Compensation Committee consists of three independent members of our Board of Directors. The Compensation Committee meets on a regular basis and met 10 times in fiscal 2015.

Under the direction of the Compensation Committee, the compensation review included a peer group competitive market review of executive compensation and total compensation recommendations by Gallagher. The peer group developed by Gallagher, agreed upon by the Compensation Committee and upon which Gallagher based its recommendations for fiscal 2015 compensation, consisted of 19 retail companies of a size range in revenue and net income relatively closely aligned with the Company’s revenue and net income. The peer group remained the same from fiscal 2014 to fiscal 2015.

The 19 company peer group consisted of the following companies at the time of the analysis:

Advance Auto Parts, Inc.	L Brands, Inc.
AutoZone, Inc.	Macy's, Inc.
Dick's Sporting Goods, Inc.	Nordstrom, Inc.
Dillard's, Inc.	O'Reilly Automotive, Inc.
Dollar General Corporation	PetSmart, Inc.
Family Dollar Stores, Inc.	Ross Stores, Inc.
Foot Locker, Inc.	Staples, Inc.
GameStop Corp.	Starbucks Corporation
The Gap, Inc.	The TJX Companies, Inc.
Kohl's Corporation	

Gallagher conducted a compensation review for all executive officers, including the Named Executive Officers, and for certain other key executives. Gallagher benchmarked the Named Executive Officers total compensation and separately their cash compensation against data from the 19 company peer group. Gallagher also assisted the Compensation Committee in determining the targets and other provisions, for the one-year and three-year performance goals. With respect to grants of PSUs, the Compensation Committee, with assistance from Gallagher, adopted a wider peer group of 47 retail companies against which the performance goals will be measured. This larger peer group includes 18 of the 19 company benchmarking peer group described above and was created to establish a larger, more stable statistical base over the duration of the performance periods.

The compensation approved by the Compensation Committee for each of Messrs. Eisenberg, Feinstein and Temares for fiscal 2015 was determined by the Compensation Committee taking into account recommendations of and certain data received from Gallagher. The compensation approved by the Compensation Committee for the Named Executive Officers for fiscal 2015, other than the Co-Chairmen and Mr. Temares, was determined by the Compensation Committee, taking into account the recommendations of the Co-Chairmen, Chief Executive Officer and Gallagher and certain data the Compensation Committee received from Gallagher. No executive was present during voting or deliberations with respect to matters relating to such executive's compensation.

Based on the recommendations and data from Gallagher, and in light of the Company's financial results for fiscal 2014, the growth in the size and scope of the Company, the strategic investments being made to position the Company for long-term growth, its relative performance in its industry and other factors, the Compensation Committee determined that the Named Executive Officers of the Company should receive the total compensation packages for fiscal 2015, as described below.

### *Elements of Compensation*

The Company seeks to provide total compensation packages to its associates, including its Named Executive Officers, which implement its compensation philosophy. As described above, the Company places greater emphasis in the compensation packages for Named Executive Officers on equity incentive compensation than on cash compensation in order to align compensation more closely with long-term performance results and the creation of shareholder value. The Compensation Committee firmly believes that annual cash bonuses promote short-term thinking and are in direct contrast to the Bed Bath & Beyond culture which is rooted in a commitment to customer service and a desire to achieve long-term success.

The components of the Company's compensation programs for its executive officers and certain other key executives are base salary, equity compensation (consisting of awards of PSUs and stock options), retirement and other benefits (consisting of health plans, a limited 401(k) plan match and a nonqualified deferred compensation plan) and very limited perquisites. Consistent with prior practice and the Company's culture, the Company does not provide perquisites such as club memberships, company planes or retreats. For those perquisites provided, see the footnotes to the Summary Compensation Table on page 31.

### **Base Salary**

The Company pays base salaries to provide its Named Executive Officers with current, regular compensation that is appropriate for their position, experience and responsibilities. Changes in base salary, if any, are generally effective in May of each fiscal year. The Company believes that total cash compensation levels for its Named Executive Officers are appropriate taking into consideration factors including that the Company does not pay annual cash bonuses.

## Equity Compensation

### PSUs

In early fiscal 2014, the Company significantly redesigned its equity incentive program for its Named Executive Officers and certain other key executives with a view toward creating an enhanced link between pay and performance, providing performance metrics fundamental to the business, and aligning with shareholder value creation. The redesigned program eliminated the prior performance test and created a new framework consisting of a one-year performance test based on EBIT margin relative to a peer group and a three-year performance test based on ROIC relative to such peer group. Payouts under the performance goals were contingent upon achievement of various levels of EBIT margin and ROIC as well as the continued performance of services by the executives. The 2014 and 2015 awards were in the form of PSUs, of which 75% were subject to the one-year EBIT margin goal and 25% were subject to the three-year ROIC goal (subsequently changed for fiscal 2016 to 50% for each of the one-year goal and three-year goal, increasing the weighting of the three-year goal). The Compensation Committee believed it appropriate to set a target based upon EBIT margin when compared to a retail industry peer group, to incentivize continued operational and fiscal discipline as management executes against the Company's strategic goals. The Compensation Committee also believed that, as a relative measure compared to a retail industry peer group, ROIC over a three-year period provides a suitable metric to measure how the Company's investments are returning value to the enterprise. The Compensation Committee believes that these goals are an appropriate measure of performance for companies in the retail industry and, specifically, for companies in the Company's sector.

The following table sets forth the achievement ranges for the one-year relative EBIT margin goal and the three-year relative ROIC goal in place for fiscal 2015, together with the associated payout percentages and vesting schedule. As shown in the table, the awards range from a floor of zero to a cap of 150% of target achievement.

PSUs Subject to One-Year EBIT Goal for 2015 (75% Weighting)		PSUs Subject to Three-Year ROIC Goal for 2015 (25% Weighting)	
Vesting : 1/3 year 1, 1/3 year 2, 1/3 year 3		Vesting : 100% year 4	
Achievement Percentage (% of Peer Group Average)	Payment Percentage of Common Stock Underlying PSUs	Achievement Percentage (% of Peer Group Average)	Payment Percentage of Common Stock Underlying PSUs
200% or Greater	150%	180% or Greater	150%
185-199%	110%	165-179%	110%
125-184%	100%	80-164%	100%
100-124%	90%	70-79%	90%
80-99%	75%	60-69%	75%
70-79%	50%	50-59%	50%
60-69%	25%	40-49%	25%
<60%	0%	<40%	0%

The metrics with respect to each peer group member necessary to measure the performance criteria are based on data reported in the S&P Capital IQ Database to the extent publicly available, and to the extent such data is not publicly available, are based on information otherwise publicly available.

The PSUs are not transferable, cannot be pledged, assigned or otherwise disposed of and are subject to the terms of the Company's 2012 Incentive Compensation Plan.

The overall approach to equity compensation in fiscal 2015 for all executive officers, including the Named Executive Officers, and for certain other executives was to combine the performance-based PSU awards with stock options. In determining the allocation between these two forms of equity awards, the Company considered the retention component and the role of the executive in the enhancement of shareholder value. For fiscal 2015, the Company allocated at least two-thirds of the value of equity compensation granted to all executive officers, including the Named Executive Officers, to PSU awards and no greater than one-third of such value to stock option awards. The vesting provisions relating to equity compensation have been and continue to be determined with a principal purpose of retaining the Company's executives and key associates. The Company believes its equity compensation program promotes the long-term retention of its executives and key associates, including its Named Executive Officers and in large measure directly aligns compensation of its Named Executive Officers with Company performance.

The Company believes that the performance-based tests described above meet the standard for performance-based compensation under Section 162(m) of the Code, so that the PSU awards are intended to be deductible compensation by the Company for certain executives if their annual compensation exceeds \$1 million.

## Stock Options

Stock option awards are made in dollars (with the number of shares covered by the options determined by dividing the dollar amount of the grant by the Stock Option Fair Value, as defined below). The Compensation Committee believes that making stock option awards in dollar amounts rather than share amounts is advisable because making stock option awards in dollar amounts allows the Compensation Committee to align stock option awards with the value of the option grants. Awarding stock options in a fixed dollar amount also enables the Compensation Committee to more readily evaluate appropriate aggregate compensation amounts and percentage increases or decreases for executives, in comparison to making stock option awards in share amounts (the value of which varies depending on the trading price of the Company's stock and other factors). In making the awards, the Compensation Committee considered the fair value of these options on the date of grant determined in accordance with Accounting Standards Codification Topic No. 718, "Compensation—Stock Compensation" (the Stock Option Fair Value).

Consistent with the Company's historic practice, the stock options vest over time, subject, in general, to the Named Executive Officers remaining in the Company's service on specified vesting dates.

## Time Vested Restricted Stock

All executives (other than Named Executive Officers and other key executives whose compensation is determined by the Compensation Committee) and associates awarded incentive compensation receive grants consisting solely of restricted stock. Vesting of restricted stock awarded to these associates is based solely on time with no performance-based test.

All 2015 awards of equity compensation were made under the Company's 2012 Incentive Compensation Plan approved by the Company's shareholders, which is the only equity incentive plan under which the Company can currently make awards of equity compensation.

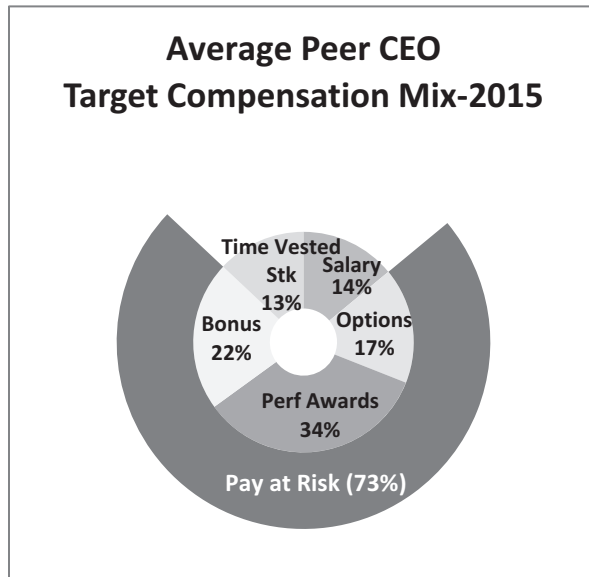
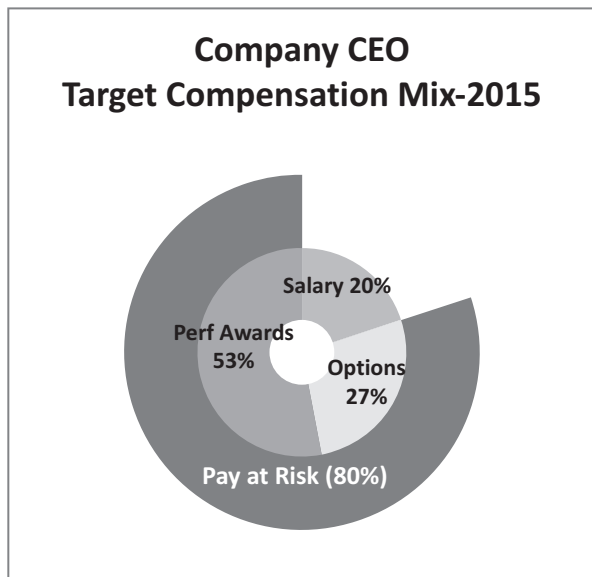
## *Senior Executive Compensation*

The Compensation Committee reviews the compensation packages for the Chief Executive Officer, the other Named Executive Officers and the other senior executives believed to be the most important and influential in determining the continued success of the Company.

In the spring of 2015, when the Compensation Committee made its determinations relating to executive compensation for the Company's Named Executive Officers for fiscal 2015, the Compensation Committee took into account, among other things, the following:

- the Company's net earnings per diluted share had increased to \$5.07 for fiscal 2014 from \$4.79 in the prior year;
- the Company had returned approximately \$2.251 billion to shareholders through share repurchases in fiscal year 2014; and
- the Company had made capital expenditures exceeding \$300 million in fiscal 2014, principally for strategic investments related to enhancing its omnichannel capabilities to further position the Company for continued growth and success in the ever-evolving retail environment, and operated approximately 1,500 stores.

The following charts illustrate the average mix of target total direct compensation for Mr. Temares and for chief executive officers in the Company's peer group for 2015:



Mr. Temares' base salary did not increase in fiscal 2015, and remained at \$3,967,500, which represented his entire cash compensation since the Company does not pay cash bonuses. Cash compensation for fiscal 2015 represented 20% of Mr. Temares' total compensation.

Equity awards to Mr. Temares for fiscal 2015 consisted of \$10,446,137 of PSUs (representing 147,222 PSUs) and \$5,224,624 of stock options (representing 226,003 options). Approximately 80% of Mr. Temares' cash and equity compensation for fiscal 2015 was dependent on Company performance and/or an increase in shareholder value.

As calculated in accordance with the Company's stock ownership guidelines for the Company's Chief Executive Officer, Mr. Temares held substantially more than the minimum \$6,000,000 holding requirement. In setting the minimum holding requirement, the Compensation Committee considered the relative value of stock required to be held by CEOs within the peer group. It is important to note that Mr. Temares has not sold any post-tax restricted shares during his tenure with the Company.

For fiscal 2015, the base salaries for the Co-Chairmen did not increase and remained at \$1,100,000 each, the same as they were for the previous nine years. Equity awards in 2015 for the Co-Chairmen did not increase and have remained in the same amount as they were for the previous four years (rounded to the next full share). The base salaries and equity awards of the other Named Executive Officers increased based upon several factors including increased responsibilities and in certain cases individual performance.

The stock options granted to the Chief Executive Officer and the other Named Executive Officers vest in five equal annual installments, while the stock options awarded to the Co-Chairmen vest in three equal annual installments. In each case, vesting commences on the first anniversary of the grant date and is also based on continued service to the Company.

In the view of the Compensation Committee, the fiscal 2015 compensation packages for the Chief Executive Officer, the Co-Chairmen, and the other Named Executive Officers, based on the Company's growth and strong financial results in 2014, the strategic investments being made to position the Company for long-term growth, and based on the results and recommendations of Gallagher's compensation review, were appropriate for a company with the revenues and earnings of the Company.

For further discussion related to equity grants to the Named Executive Officers in fiscal 2015, see the Potential Payments Upon Termination or Change in Control Table.

### Other Benefits

The Company provides the Named Executive Officers with the same benefits offered to all other associates. The cost of these benefits constitutes a small percentage of each Named Executive Officer's total compensation. Key benefits include paid vacation, premiums paid for long-term disability insurance, a matching contribution to the Named Executive Officer's 401(k) plan account, and the payment of a portion of the Named Executive Officer's premiums for healthcare and basic life insurance.

The Company has a nonqualified deferred compensation plan for the benefit of certain highly compensated associates, including the Named Executive Officers. The plan provides that a certain percentage of an associate’s contributions may be matched by the Company, subject to certain limitations. This matching contribution will vest over a specified period of time. See the Nonqualified Deferred Compensation Table.

The Company provides the Named Executive Officers with certain perquisites including tax preparation services and car service, in the case of Messrs. Eisenberg and Feinstein, and a car allowance, in the case of all Named Executive Officers, other than Ms. Lattmann. The Compensation Committee believes all such perquisites are reasonable and consistent with its overall objective of attracting and retaining our Named Executive Officers.

See the “All Other Compensation” column in the Summary Compensation Table for further information regarding these benefits and perquisites, and Potential Payments Upon Termination or Change in Control Table for information regarding termination and change in control payments and benefits.

### *Impact of Accounting and Tax Considerations*

The Compensation Committee considers the accounting cost associated with equity compensation and the impact of Section 162(m) of the Code, which generally prohibits any publicly held corporation from taking a federal income tax deduction for compensation paid in excess of \$1 million in any taxable year to certain executives, subject to certain exceptions for performance-based compensation. Stock options and performance-based compensation granted to our Named Executive Officers are intended to satisfy the performance-based exception and be deductible. Base salary amounts in excess of \$1 million are not deductible by the Company.

### *Policy on the Recovery of Incentive Compensation*

In fiscal 2009, the Board adopted a policy as part of the Company’s corporate governance guidelines on the recovery of incentive compensation, commonly referred to as a “clawback policy,” applicable to the Company’s Named Executive Officers (as defined under Item 402(a)(3) of Regulation S-K). The policy appears in the Company’s Corporate Governance Guidelines, available in the Investor Relations section of the Company’s website at [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com). The Compensation Committee is monitoring the issuance of regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act relating to incentive compensation recoupment and will amend its policy to the extent necessary to comply with such Act.

### **Fiscal 2015 Performance Goals and Performance**

The table below shows how we performed against the fiscal 2015 performance goals under our equity incentive program, which were set by the Compensation Committee in early fiscal 2015.

- The one-year performance goal based on EBIT margin relative to a retail industry peer group earned 100% of the incentive target for each NEO.

Mean (average) EBIT for Peer Group Companies	7.28%
Bed Bath & Beyond	11.69%
Achievement Percentage	160.60%
Payment Percentage	100.00%

- The three-year performance goal based on ROIC relative to such peer group will be measured at the end of fiscal 2017.



## Executive Officers

---

Set forth below is information concerning our executive officers as of May 6, 2016.

Name	Age	Position
Warren Eisenberg	85	Co-Chairman and Director
Leonard Feinstein	79	Co-Chairman and Director
Steven H. Temares	57	Chief Executive Officer and Director
Arthur Stark	61	President and Chief Merchandising Officer
Eugene A. Castagna	50	Chief Operating Officer
Susan E. Lattmann	48	Chief Financial Officer and Treasurer
Matthew Fiorilli	59	Senior Vice President—Stores

The biographies for Messrs. Eisenberg, Feinstein and Temares are set forth above under Election of Directors (Proposal 1). Biographies for our other executive officers are as follows:

*Arthur Stark* has been President and Chief Merchandising Officer since 2006. Mr. Stark has served as Chief Merchandising Officer since 1999 and was a Senior Vice President from 1999 to 2006. Mr. Stark joined the Company in 1977.

*Eugene A. Castagna* has been Chief Operating Officer since 2014. Mr. Castagna served as Chief Financial Officer and Treasurer from 2006 to 2014, as Assistant Treasurer from 2002 to 2006 and as Vice President—Finance from 2000 to 2006. Mr. Castagna joined the Company in 1994.

*Susan E. Lattmann* has been Chief Financial Officer and Treasurer since 2014. Ms. Lattmann served as Vice President—Finance from 2006 to 2014, as Vice President—Controller from 2001 to 2006 and as Controller from 2000 to 2001. Ms. Lattmann is a certified public accountant and joined the Company in 1996.

*Matthew Fiorilli* has been Senior Vice President—Stores since 1999. Mr. Fiorilli joined the Company in 1973.



## Compensation Tables

**SUMMARY COMPENSATION TABLE FOR FISCAL 2015,  
FISCAL 2014 AND FISCAL 2013**

The following table sets forth information concerning the compensation of the Company's Named Executive Officers.

Name and Principal Position	Fiscal Year	Salary <sup>(1)</sup> (\$)	Stock Awards <sup>(2)(3)</sup> (\$)	Option Awards <sup>(2)</sup> (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Warren Eisenberg <sup>(4)(5)</sup> <i>Co-Chairman</i>	2015	1,100,000	1,500,060	500,008	—	147,887	3,247,955
	2014	1,100,000	1,500,025	500,010	—	145,635	3,245,670
	2013	1,100,000	1,500,023	500,019	—	153,138	3,253,180
Leonard Feinstein <sup>(6)(7)</sup> <i>Co-Chairman</i>	2015	1,100,000	1,500,060	500,008	—	165,878	3,265,946
	2014	1,100,000	1,500,025	500,010	—	160,213	3,260,248
	2013	1,100,000	1,500,023	500,019	—	163,564	3,263,606
Steven H. Temares <sup>(8)(9)(10)</sup> <i>Chief Executive Officer</i>	2015	3,967,500	10,446,137	5,224,624	(242,787)	14,194	19,409,668
	2014	3,967,500	9,712,323	4,856,147	556,242	23,828	19,116,040
	2013	3,867,981	6,750,034	6,750,011	1,753,736	22,993	19,144,755
Arthur Stark <sup>(11)(12)</sup> <i>President and Chief Merchandising Officer</i>	2015	1,770,769	1,675,035	600,015	—	15,112	4,060,931
	2014	1,670,769	1,550,022	600,012	—	14,699	3,835,502
	2013	1,568,846	1,450,064	600,014	—	14,352	3,633,276
Eugene A. Castagna <sup>(13)(14)</sup> <i>Chief Operating Officer</i>	2015	1,811,154	1,750,034	750,001	—	12,000	4,323,189
	2014	1,670,769	1,550,022	600,012	—	13,878	3,834,681
	2013	1,421,154	1,450,126	600,014	—	16,416	3,487,710
Susan E. Lattmann <sup>(15)(16)</sup> <i>Chief Financial Officer and Treasurer</i>	2015	871,154	900,064	400,002	—	8,262	2,179,482
	2014	730,769	750,013	300,006	—	7,955	1,788,743
	2013	534,908	300,058	—	—	7,820	842,786
Matthew Fiorilli <sup>(17)(18)</sup> <i>Senior Vice President—Stores</i>	2015	1,655,769	1,425,060	600,015	—	18,572	3,699,416
	2014	1,555,769	1,300,038	600,012	—	22,154	3,477,973
	2013	1,453,846	1,200,060	600,014	—	21,825	3,275,745

(1) Except as otherwise described in this Summary Compensation Table, salaries to Named Executive Officers were paid in cash in fiscal 2015, fiscal 2014 and fiscal 2013, and increases in salary, if any, were effective in May of the fiscal year.

(2) The value of stock awards and option awards represents their respective total fair value on the date of grant calculated in accordance with Accounting Standards Codification Topic No. 718, "Compensation—Stock Compensation" ("ASC 718"), without regard to the estimated forfeiture related to service-based vesting conditions. All assumptions made in the valuations are contained and described in footnote 12 to the Company's financial statements in the Company's Form 10-K for fiscal 2015. Stock awards and option awards are rounded up to the nearest whole share when converted from dollars to shares. The amounts shown in the table reflect the total fair value on the date of grant and do not necessarily reflect the actual value, if any, that may be realized by the Named Executive Officers.

(3) The value of stock awards granted in fiscal 2015 and 2014 consists of performance stock unit ("PSU") awards. Please see Compensation Discussion and Analysis for a description of the PSU awards. The one-year performance-based test for both fiscal 2015 and 2014 was met at the 100% target. The fair value of the PSU awards are reported at 100% of target, which is the estimated outcome of performance conditions associated with the PSU awards on the grant date. If the Company achieves the highest level of performance for the PSU awards, then the fair value of the PSU awards would be \$2,250,125, \$2,250,125, \$15,669,206, \$2,512,588, \$2,625,051, \$1,350,132 and \$2,137,661 for Mr. Eisenberg, Mr. Feinstein, Mr. Temares, Mr. Stark, Mr. Castagna, Ms. Lattmann and Mr. Fiorilli, respectively. The value of stock awards granted in fiscal year 2013 consists of restricted stock. Except as described below, the vesting of restricted stock awards granted in fiscal 2013 depends on (i) the Company's achievement of a performance-based test for the fiscal year of the grant, and (ii) assuming the performance-based test is met, time vesting, subject in general to the executive remaining in the Company's service on specific vesting dates. The performance-based test for fiscal 2013 was met, and the fair value of such performance-based stock awards are reported at 100% of target, their maximum value assuming the highest level of performance. The vesting of restricted stock awards granted to Ms. Lattmann in fiscal 2013 and a portion of restricted stock awards granted to Mr. Castagna in fiscal 2013 are based solely on time vesting.

PROPOSAL 3—APPROVAL, BY NON-BINDING VOTE, OF 2015 EXECUTIVE COMPENSATION

- (4) Salary for Mr. Eisenberg includes a deferral of \$569,756, \$550,000 and \$546,504 for fiscal 2015, 2014 and 2013, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2015 is also reported in the Nonqualified Deferred Compensation Table below.
- (5) All Other Compensation for Mr. Eisenberg includes incremental costs to the Company for tax preparation services of \$34,780, \$31,625 and \$42,950, car service of \$81,598, \$79,598 and \$77,214 and car allowance of \$23,559, \$26,612 and \$25,325, and an employer nonqualified deferred compensation plan matching contribution of \$7,950, \$7,800 and \$7,650 for fiscal 2015, 2014 and 2013, respectively.
- (6) Salary for Mr. Feinstein includes a deferral of \$591,009, \$550,000 and \$550,000 for fiscal 2015, 2014 and 2013, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2015 is also reported in the Nonqualified Deferred Compensation Table below.
- (7) All Other Compensation for Mr. Feinstein includes incremental costs to the Company for tax preparation services of \$34,780, \$31,625 and \$42,950, car service of \$87,982, \$86,077 and \$82,905 and car allowance of \$35,166, \$34,711 and \$30,059 and an employer nonqualified deferred compensation plan matching contribution of \$7,950, \$7,800 and \$7,650 for fiscal 2015, 2014 and 2013, respectively.
- (8) Salary for Mr. Temares includes a deferral of \$42,000, \$40,624 and \$36,684 for fiscal 2015, 2014 and 2013, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2015 is also reported in the Nonqualified Deferred Compensation Table below.
- (9) The change in pension value for fiscal 2015, 2014 and 2013 is a result of the change in the actuarial present value of the benefits payable under the supplemental executive retirement benefit agreement with Mr. Temares, reflecting an increase in salary in fiscal 2013, and which is discussed more fully below. There was no cash payment as a result of this increase. See also "Potential Payments Upon Termination or Change in Control—Messrs. Temares, Stark, Castagna and Fiorilli and Ms. Lattmann" below.
- (10) All Other Compensation for Mr. Temares includes incremental costs to the Company for car allowance of \$6,244, \$16,103 and \$15,344 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of \$7,950, \$7,725 and \$7,649 for fiscal 2015, 2014 and 2013, respectively.
- (11) Salary for Mr. Stark includes a deferral of \$10,192, \$10,639 and \$10,937 for fiscal 2015, 2014 and 2013, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2015 is also reported in the Nonqualified Deferred Compensation Table below.
- (12) All Other Compensation for Mr. Stark includes incremental costs to the Company for car allowance of \$6,547, \$6,995 and \$6,702 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of \$8,565, \$7,704 and \$7,650 for fiscal 2015, 2014 and 2013, respectively.
- (13) Salary for Mr. Castagna includes a deferral of \$180,538, \$166,154 and \$141,538 for fiscal 2015, 2014 and 2013, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2015 is also reported in the Nonqualified Deferred Compensation Table below.
- (14) All Other Compensation for Mr. Castagna includes incremental costs to the Company for car allowance of \$3,500, \$6,203 and \$8,766 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of \$8,500, \$7,675 and \$7,650 for fiscal 2015, 2014 and 2013, respectively.
- (15) Salary for Ms. Lattmann includes a deferral of \$36,731, \$29,594 and \$25,598 for fiscal 2015, 2014 and 2013, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2015 is also reported in the Nonqualified Deferred Compensation Table below.
- (16) All Other Compensation for Ms. Lattmann includes incremental costs to the Company for employer 401(k) plan and nonqualified deferred compensation plan matching contributions of \$8,262, \$7,955 and \$7,820 for fiscal 2015, 2014 and 2013, respectively.
- (17) Salary for Mr. Fiorilli includes a deferral of \$33,038, \$140,654 and \$83,827 for fiscal 2015, 2014 and 2013, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2015 is also reported in the Nonqualified Deferred Compensation Table below.
- (18) All Other Compensation for Mr. Fiorilli includes incremental costs to the Company for car allowance of \$10,622, \$14,579 and \$14,175 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of \$7,950, \$7,575 and \$7,650 for fiscal 2015, 2014 and 2013, respectively.

## GRANTS OF PLAN BASED AWARDS

## Grants of Stock Options and Performance Stock Units for Fiscal 2015

The following table sets forth information with respect to stock options granted and performance stock units awarded during fiscal 2015 to each of the Named Executive Officers under the Company's 2012 Incentive Compensation Plan (the "2012 Plan"). The Company did not grant any non-equity incentive plan awards in fiscal 2015.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options <sup>(1)</sup> (#)	Exercise or Base Price of Option Awards <sup>(2)</sup> (\$/Sh)	Closing Market Price on Date of Grant (\$/Sh)	Grant Date Fair Value of Stock and Option Awards <sup>(3)</sup> (\$)
		Threshold <sup>(1)</sup> (#)	Target <sup>(1)</sup> (#)	Maximum <sup>(1)</sup> (#)				
Warren Eisenberg	5/11/15	0	21,141	31,712				\$ 1,500,060
	5/11/15				21,629	\$70.96	\$70.30	\$ 500,008
Leonard Feinstein	5/11/15	0	21,141	31,712				\$ 1,500,060
	5/11/15				21,629	\$70.96	\$70.30	\$ 500,008
Steven H. Temares	5/11/15	0	147,222	220,833				\$10,446,137
	5/11/15				226,003	\$70.96	\$70.30	\$ 5,224,624
Arthur Stark	5/11/15	0	23,607	35,411				\$ 1,675,035
	5/11/15				25,955	\$70.96	\$70.30	\$ 600,015
Eugene A. Castagna	5/11/15	0	24,664	36,996				\$ 1,750,034
	5/11/15				32,443	\$70.96	\$70.30	\$ 750,001
Susan E. Lattmann	5/11/15	0	12,685	19,028				\$ 900,064
	5/11/15				17,303	\$70.96	\$70.30	\$ 400,002
Matthew Fiorilli	5/11/15	0	20,084	30,127				\$ 1,425,060
	5/11/15				25,955	\$70.96	\$70.30	\$ 600,015

(1) Number of shares when converted from dollars to shares, which number is rounded up to the nearest whole share.

(2) The exercise price of option awards is the average of the high and low trading prices of the Company's common stock on the date of grant.

(3) Pursuant to the SEC rules, stock and option awards are valued in accordance with ASC 718. See footnote 2 to the Summary Compensation Table in this Proxy Statement.

Vesting of stock option awards depends on time vesting, subject in general to the executive remaining in the Company's service on specific vesting dates. The options granted in fiscal 2015 to Messrs. Eisenberg and Feinstein vest in three equal installments starting on the first anniversary of the grant date. The options granted in fiscal 2015 to Messrs. Temares, Stark, Castagna and Fiorilli and Ms. Lattmann vest in five equal installments starting on the first anniversary of the grant date. At the time of grant or thereafter, option awards and underlying shares of common stock are not transferable other than by will or the laws of descent and distribution, except as the Compensation Committee may permit.

Vesting of performance stock unit awards ("PSUs") depends on (i) the Company's achievement of a performance-based test during a one-year period from the date of grant and during a three-year period from the date of grant, and (ii) assuming achievement of the performance-based test, time vesting, subject, in general, to the executive remaining in the Company's service on specified vesting dates. Performance during the one-year period is based on Earnings Before Interest and Taxes ("EBIT") margin relative to a peer group of the Company comprising 47 companies. Upon achievement of the one-year performance-based test, the corresponding PSUs will vest annually in substantially equal installments over a three year period starting one year from the date of grant. Performance during the three-year period is based on Return on Invested Capital ("ROIC") relative to such peer group. Upon achievement of the three-year performance-based test, the corresponding PSUs will vest on the fourth anniversary date of grant. The awards based on EBIT margin and ROIC are capped at 150% of target achievement, with a floor of zero. PSUs are converted into shares of common stock upon payment following vesting.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END**

The following table sets forth information for each of the Named Executive Officers with respect to the value of all unexercised options, unvested restricted stock awards and unvested performance stock units as of February 27, 2016, the end of fiscal 2015.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested <sup>(1)</sup> (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(1)</sup> (\$)
Warren Eisenberg	81,367	—	\$32.8700	5/12/16	38,977 <sup>(7)</sup>	\$1,909,483	27,157 <sup>(13)</sup>	\$1,330,421
	84,603	—	\$28.3300	5/11/17				
	29,326	—	\$45.2000	5/10/18				
	25,440	—	\$56.1850	5/10/19				
	21,682	—	\$68.9100	5/10/20				
	14,961	7,481 <sup>(2)</sup>	\$69.7750	5/10/21				
	7,952	15,903 <sup>(2)</sup>	\$62.3400	5/12/22				
	—	21,629 <sup>(2)</sup>	\$70.9550	5/11/23				
Leonard Feinstein	29,326	—	\$45.2000	5/10/18	38,977 <sup>(7)</sup>	\$1,909,483	27,157 <sup>(13)</sup>	\$1,330,421
	25,440	—	\$56.1850	5/10/19				
	21,682	—	\$68.9100	5/10/20				
	14,961	7,481 <sup>(2)</sup>	\$69.7750	5/10/21				
	7,952	15,903 <sup>(2)</sup>	\$62.3400	5/12/22				
	—	21,629 <sup>(2)</sup>	\$70.9550	5/11/23				
Steven H. Temares	374,288 <sup>(19)</sup>	—	\$32.8700	5/12/16	189,370 <sup>(8)</sup>	\$9,277,236	186,171 <sup>(14)</sup>	\$9,120,517
	296,109	—	\$28.3300	5/11/17				
	263,930	—	\$45.2000	5/10/18				
	203,520	50,880 <sup>(3)</sup>	\$56.1850	5/10/19				
	149,608	99,739 <sup>(3)</sup>	\$68.9100	5/10/20				
	121,182	181,774 <sup>(3)</sup>	\$69.7750	5/10/21				
	46,336	185,346 <sup>(3)</sup>	\$62.3400	5/12/22				
	—	226,003 <sup>(3)</sup>	\$70.9550	5/11/23				
Arthur Stark	8,206	—	\$32.8700	5/12/16	72,046 <sup>(9)</sup>	\$3,529,534	29,823 <sup>(15)</sup>	\$1,461,029
	8,933	8,933 <sup>(4)</sup>	\$28.3300	5/11/17				
	32,101	—	\$45.2000	5/10/18				
	24,422	6,106 <sup>(4)</sup>	\$56.1850	5/10/19				
	15,611	10,408 <sup>(4)</sup>	\$68.9100	5/10/20				
	10,772	16,158 <sup>(4)</sup>	\$69.7750	5/10/21				
	5,725	22,901 <sup>(4)</sup>	\$62.3400	5/12/22				
	—	25,955 <sup>(4)</sup>	\$70.9550	5/11/23				

PROPOSAL 3—APPROVAL, BY NON-BINDING VOTE, OF 2015 EXECUTIVE COMPENSATION

Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested <sup>(1)</sup> (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(1)</sup> (\$)
Eugene A. Castagna	8,933	8,933 <sup>(5)</sup>	\$28.3300	5/11/17	62,558 <sup>(10)</sup>	\$3,064,716	30,880 <sup>(16)</sup>	\$1,512,811
	32,101	—	\$45.2000	5/10/18				
	24,422	6,106 <sup>(5)</sup>	\$56.1850	5/10/19				
	15,611	10,408 <sup>(5)</sup>	\$68.9100	5/10/20				
	10,772	16,158 <sup>(5)</sup>	\$69.7750	5/10/21				
	5,725	22,901 <sup>(5)</sup>	\$62.3400	5/12/22				
	—	32,443 <sup>(5)</sup>	\$70.9550	5/11/23				
Susan E. Lattmann	2,862	11,451 <sup>(6)</sup>	\$62.3400	5/12/22	17,407 <sup>(11)</sup>	\$ 852,769	15,693 <sup>(17)</sup>	\$ 768,800
	—	17,303 <sup>(6)</sup>	\$70.9550	5/11/23				
Matthew Fiorilli	41,029	—	\$32.8700	5/12/16	58,342 <sup>(12)</sup>	\$2,858,175	25,298 <sup>(18)</sup>	\$1,239,349
	35,731	8,933 <sup>(4)</sup>	\$28.3300	5/11/17				
	32,101	—	\$45.2000	5/10/18				
	24,422	6,106 <sup>(4)</sup>	\$56.1850	5/10/19				
	15,611	10,408 <sup>(4)</sup>	\$68.9100	5/10/20				
	10,772	16,158 <sup>(4)</sup>	\$69.7750	5/10/21				
	5,725	22,901 <sup>(4)</sup>	\$62.3400	5/12/22				
—	25,955 <sup>(4)</sup>	\$70.9550	5/11/23					

- (1) Market value is based on the closing price of the Company's common stock of \$48.99 per share on February 26, 2016, the last trading day in fiscal 2015.
- (2) Messrs. Eisenberg and Feinstein's unvested option awards are scheduled to vest as follows: (a) 7,481 on May 10, 2016, (b) 7,951 on May 12, 2016 and 7,952 on May 12, 2017 and (c) 7,210 on each of May 11, 2016 and 2018 and 7,209 on May 11, 2017.
- (3) Mr. Temares' unvested option awards are scheduled to vest as follows: (a) 50,880 on May 10, 2016, (b) 49,869 on May 10, 2016 and 49,870 on May 10, 2017, (c) 60,591 on each of May 10, 2016 and 2017 and 60,592 on May 10, 2018, (d) 46,336 on each of May 12, 2016 and 2018 and 46,337 on each of May 12, 2017 and 2019 and (e) 45,200 on each of May 11, 2016 and 2018 and 45,201 on May 11, 2017, 2019 and 2020.
- (4) Messrs. Stark and Fiorilli's unvested option awards are scheduled to vest as follows: (a) 8,933 on May 11, 2016, (b) 6,106 on May 10, 2016, (c) 5,204 on each of May 10, 2016 and 2017, (d) 5,386 on each of May 10, 2016, 2017 and 2018, (e) 5,725 on each of May 12, 2016, 2017 and 2018 and 5,726 on May 12, 2019 and (f) 5,191 on each of May 11, 2016, 2017, 2018, 2019 and 2020.
- (5) Mr. Castagna's unvested option awards are scheduled to vest as follows: (a) 8,933 on May 11, 2016, (b) 6,106 on May 10, 2016, (c) 5,204 on each of May 10, 2016 and 2017, (d) 5,386 on each of May 10, 2016, 2017 and 2018, (e) 5,725 on each of May 12, 2016, 2017 and 2018 and 5,726 on May 12, 2019 and (f) 6,488 on each of May 11, 2016 and 2018 and 6,489 on each of May 11, 2017, 2019 and 2020.
- (6) Ms. Lattmann's unvested option awards are scheduled to vest as follows: (a) 2,863 on each of May 12, 2016, 2018 and 2019 and 2,862 on May 12, 2017 and (b) 3,460 on each of May 11, 2016 and 2018 and 3,461 on each of May 11, 2017, 2019 and 2020.
- (7) Messrs. Eisenberg and Feinstein have an aggregate of 26,947 shares of unvested restricted stock and an aggregate of 12,030 shares underlying unvested performance stock units ("PSUs"). Messrs. Eisenberg and Feinstein's unvested restricted stock awards are scheduled to vest as follows: (a) 5,340 on May 10, 2016, (b) 4,354 on each of May 10, 2016 and 2017 and (c) 4,299 on May 10, 2016 and 4,300 on each of May 10, 2017 and 2018. Messrs. Eisenberg and Feinstein's unvested PSU awards that have satisfied the applicable performance-based test are scheduled to vest as follows: 6,015 on each of May 12, 2016 and 2017.
- (8) Mr. Temares has an aggregate of 111,472 shares of unvested restricted stock and an aggregate of 77,898 shares underlying unvested PSUs. Mr. Temares' unvested restricted stock awards are scheduled to vest as follows: (a) 18,600 on May 10, 2016, (b) 17,414 on each of May 10, 2016 and 2017 and (c) 19,348 on each of May 10, 2016, 2017 and 2018. Mr. Temares' unvested PSU awards that have satisfied the applicable performance-based test are scheduled to vest as follows: 38,949 on each of May 12, 2016 and 2017.



PROPOSAL 3—APPROVAL, BY NON-BINDING VOTE, OF 2015 EXECUTIVE COMPENSATION

- (9) Mr. Stark has an aggregate of 59,614 shares of unvested restricted stock and an aggregate of 12,432 shares underlying unvested PSUs. Mr. Stark's unvested restricted stock awards are scheduled to vest as follows: (a) 7,060 on May 11, 2016, (b) 5,531 on each of May 10, 2016 and 2017, (c) 4,449 on May 10, 2016 and 4,450 on each of May 10, 2017 and 2018, (d) 3,918 on each of May 10, 2016, 2017 and 2018 and 3,919 on May 10, 2019 and (e) 4,157 on each of May 10, 2016 and 2018 and 4,156 on May 10, 2017. Mr. Stark's unvested PSU awards that have satisfied the applicable performance-based test are scheduled to vest as follows: 6,216 on each of May 12, 2016 and 2017.
- (10) Mr. Castagna has an aggregate of 50,126 shares of unvested restricted stock and an aggregate of 12,432 shares underlying unvested PSUs. Mr. Castagna's unvested restricted stock awards are scheduled to vest as follows: (a) 5,295 on May 11, 2016, (b) 4,425 on each of May 10, 2016 and 2017, (c) 3,560 on each of May 10, 2016, 2017 and 2018, (d) 3,193 on each of May 10, 2016, 2018 and 2019 and 3,192 on May 10, 2017, (e) 3,440 on each of May 10, 2016, 2017 and 2018 and (f) 736 on February 26, 2017 and 737 on each of February 26, 2018 and 2019. Mr. Castagna's unvested PSU awards that have satisfied the applicable performance-based test are scheduled to vest as follows: 6,216 on each of May 12, 2016 and 2017.
- (11) Ms. Lattmann has an aggregate of 11,392 shares of unvested restricted stock and an aggregate of 6,015 shares underlying unvested PSUs. Ms. Lattmann's unvested restricted stock awards are scheduled to vest as follows: (a) 1,412 on May 11, 2016, (b) 885 on each of May 10, 2016 and 2017, (c) 712 on each of May 10, 2016, 2017 and 2018, (d) 581 on each of May 10, 2016, 2018 and 2019 and 580 on May 10, 2017, (e) 573 on each of May 10, 2016, 2017 and 2019 and 574 on each of May 10, 2018 and 2020 and (f) 294 on February 26, 2017 and 295 on each of February 26, 2018 and 2019. Ms. Lattmann's unvested PSU awards that have satisfied the applicable performance-based test are scheduled to vest as follows: 3,007 on May 12, 2016 and 3,008 on May 12, 2017.
- (12) Mr. Fiorilli has an aggregate of 47,916 shares of unvested restricted stock and an aggregate of 10,426 shares underlying unvested PSUs. Mr. Fiorilli's unvested restricted stock awards are scheduled to vest as follows: (a) 5,295 on May 11, 2016, (b) 4,425 on each of May 10, 2016 and 2017, (c) 3,560 on each of May 10, 2016, 2017 and 2018, (d) 3,193 on each of May 10, 2016, 2018 and 2019 and 3,192 on May 10, 2017 and (e) 3,440 on each of May 10, 2016, 2017 and 2018. Mr. Fiorilli's unvested PSU awards that have satisfied the applicable performance-based test are scheduled to vest as follows: 5,213 on each of May 12, 2016 and 2017.
- (13) Messrs. Eisenberg and Feinstein's unvested PSU awards are valued at target achievement and include 15,855 PSU awards, subject to a one-year performance goal, and 11,302 PSU awards, subject to a three-year performance goal. Upon attainment of the one-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: 5,285 on each of May 11, 2016, 2017 and 2018. Upon attainment of the three-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: 6,016 on May 12, 2018 and 5,286 on May 11, 2019.
- (14) Mr. Temares' unvested PSU awards are valued at target achievement and include 110,416 PSU awards, subject to a one-year performance goal, and 75,755 PSU awards, subject to a three-year performance goal. Upon attainment of the one-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: 36,806 on May 11, 2016 and 36,805 on each of May 11, 2017 and 2018. Upon attainment of the three-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: 38,949 on May 12, 2018 and 36,806 on May 11, 2019.
- (15) Mr. Stark's unvested PSU awards are valued at target achievement and include 17,705 PSU awards, subject to a one-year performance goal, and 12,118 PSU awards, subject to a three-year performance goal. Upon attainment of the one-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: 5,902 on each of May 11, 2016 and 2018 and 5,901 on May 11, 2017. Upon attainment of the three-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: 6,216 on May 12, 2018 and 5,902 on May 11, 2019.
- (16) Mr. Castagna's unvested PSU awards are valued at target achievement and include 18,498 PSU awards, subject to a one-year performance goal, and 12,382 PSU awards, subject to a three-year performance goal. Upon attainment of the one-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: 6,166 on each of May 11, 2016, 2017 and 2018. Upon attainment of the three-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: 6,216 on May 12, 2018 and 6,166 on May 11, 2019.
- (17) Ms. Lattmann's unvested PSU awards are valued at target achievement and include 9,513 PSU awards, subject to a one-year performance goal, and 6,180 PSU awards, subject to a three-year performance goal. Upon attainment of the one-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: 3,171 on each of May 11, 2016, 2017 and 2018. Upon attainment of the three-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: 3,008 on May 12, 2018 and 3,172 on May 11, 2019.
- (18) Mr. Fiorilli's unvested PSU awards are valued at target achievement and include 15,063 PSU awards, subject to a one-year performance goal, and 10,235 PSU awards, subject to a three-year performance goal. Upon attainment of the one-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: 5,021 on each of May 11, 2016, 2017 and 2018. Upon attainment of the three-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: 5,214 on May 12, 2018 and 5,021 on May 11, 2019.
- (19) Mr. Temares' 374,288 exercisable option awards that expire on May 12, 2016 include 187,144 option awards held by him individually and 187,144 option awards held by a family limited partnership.

## OPTION EXERCISES AND STOCK VESTED

### Option Exercises and Stock Awards Vested for Fiscal 2015

The following table includes certain information with respect to the exercise of options and vesting of stock awards by Named Executive Officers during fiscal 2015.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Warren Eisenberg <sup>(1)</sup>	—	—	26,647	1,896,434
Leonard Feinstein <sup>(1)(2)</sup>	165,970	7,064,241	26,647	1,896,434
Steven H. Temares <sup>(3)</sup>	—	—	114,222	8,107,981
Arthur Stark <sup>(4)</sup>	—	—	37,416	2,652,625
Eugene A. Castagna <sup>(5)(6)</sup>	8,206	117,691	31,429	2,210,972
Susan E. Lattmann <sup>(7)</sup>	—	—	8,109	565,720
Matthew Fiorilli <sup>(8)</sup>	—	—	29,690	2,105,036

(1) Messrs. Eisenberg and Feinstein each acquired (i) 20,631 shares on May 10, 2015, upon the lapse of restrictions on previously granted shares of restricted stock and (ii) 6,016 shares on May 12, 2015 upon the vesting of PSUs for which the performance test had been met.

(2) Mr. Feinstein exercised stock options on April 13, 2015.

(3) Mr. Temares acquired (i) 75,273 shares on May 10, 2015, upon the lapse of restrictions on previously granted shares of restricted stock and (ii) 38,949 shares on May 12, 2015 upon the vesting of PSUs for which the performance test had been met.

(4) Mr. Stark acquired (i) 31,200 shares in total on May 10, 2015, May 11, 2015 and May 12, 2015 upon the lapse of restrictions on previously granted shares of restricted stock and (ii) 6,216 shares on May 12, 2015 upon the vesting of PSUs for which the performance test had been met.

(5) Mr. Castagna exercised stock options on February 18, 2016.

(6) Mr. Castagna acquired (i) 25,213 shares in total on May 10, 2015, May 11, 2015, May 12, 2015 and February 26, 2016, upon the lapse of restrictions on previously granted shares of restricted stock and (ii) 6,216 shares on May 12, 2015 upon the vesting of PSUs for which the performance test had been met.

(7) Ms. Lattmann acquired (i) 5,101 shares in total on May 10, 2015, May 11, 2015, May 12, 2015 and February 26, 2016, upon the lapse of restrictions on previously granted shares of restricted stock and (ii) 3,008 shares on May 12, 2015 upon the vesting of PSUs for which the performance test had been met.

(8) Mr. Fiorilli acquired (i) 24,476 shares in total on May 10, 2015, May 11, 2015 and May 12, 2015 upon the lapse of restrictions on previously granted shares of restricted stock and (ii) 5,214 shares on May 12, 2015 upon the vesting of PSUs for which the performance test had been met.

**NONQUALIFIED DEFERRED COMPENSATION**

Effective January 1, 2006, the Company adopted a nonqualified deferred compensation plan for the benefit of employees defined by the Internal Revenue Service as highly compensated. A certain percentage of an employee's contributions may be matched by the Company, subject to certain plan limitations, as more fully described below. The following table provides compensation information for the Company's nonqualified deferred compensation plan for each of the Named Executive Officers for fiscal 2015.

**Nonqualified Deferred Compensation for Fiscal 2015**

<b>Name</b>	<b>Executive Contributions for Fiscal 2015<sup>(1)</sup></b> <b>(\$)</b>	<b>Company Contributions for Fiscal 2015<sup>(2)</sup></b> <b>(\$)</b>	<b>Aggregate Earnings (Losses) in Fiscal 2015<sup>(3)</sup></b> <b>(\$)</b>	<b>Aggregate Withdrawals/ Distributions</b> <b>(\$)</b>	<b>Aggregate Balance at Fiscal Year End 2015<sup>(4)</sup></b> <b>(\$)</b>
Warren Eisenberg	569,756	7,950	(268,753)	—	4,042,012
Leonard Feinstein	591,009	7,950	(268,583)	—	4,068,995
Steven H. Temares	42,000	1,126	(22,606)	—	387,874
Arthur Stark	10,192	5,450	432	(16,773)	33,973
Eugene A. Castagna	180,538	1,813	(97,160)	—	1,482,627
Susan E. Lattmann	36,731	3,465	(24,059)	—	281,773
Matthew Fiorilli	33,038	2,100	(74,849)	—	838,681

(1) All amounts reported in this column were also reported in this Proxy Statement in the "Salary" column of the Summary Compensation Table for the applicable named executive officer.

(2) All amounts reported in this column were also reported in this Proxy Statement in the "All Other Compensation" column of the Summary Compensation Table for the applicable named executive officer.

(3) Amounts reported in this column represent returns on participant-selected investments.

(4) Amounts reported in this column that were also reported in previously filed Proxy Statements in the "Salary" or "All Other Compensation" columns of the Summary Compensation Tables for Messrs. Eisenberg, Feinstein, Temares, Stark, Castagna and Fiorilli and Ms. Lattmann were \$2,586,278, \$2,589,774, \$251,682, \$17,473, \$961,838, \$233,391 and \$62,397, respectively.

Under the Company's nonqualified deferred compensation plan, a participant's regular earnings may be deferred at the election of the participant, excluding incentive compensation, welfare benefits, fringe benefits, noncash remuneration, amounts realized from the sale of stock acquired under a stock option or grant, and moving expenses.

When a participant elects to make a deferral under the plan, the Company credits the account of the participant with a matching contribution equal to fifty percent of the deferral, offset dollar for dollar by any matching contribution that the Company makes to the participant under the Company's 401(k) plan. The payment of this matching contribution is made upon the conclusion of the fiscal year. The maximum matching contribution to be made by the Company to a participant between the Company's nonqualified deferred compensation plan and the Company's 401(k) plan cannot exceed the lesser of \$7,950 or three percent of a participant's eligible compensation.

A participant is fully vested in amounts deferred under the nonqualified deferred compensation plan. A participant has a vested right in matching contributions made by the Company under the nonqualified deferred compensation plan, depending on the participant's years of service with the Company: 20% at one to two years of service, 40% at two to three years of service, 60% at three to four years of service, 80% at four to five years of service and 100% at five or more years of service. As each of the Named Executive Officers has more than five years of service to the Company, they are each fully vested in the matching contributions made by the Company under the plan.

Amounts in a participant's account in the nonqualified deferred compensation plan are payable either in a lump sum or substantially equal annual installments over a period of five or ten years, as elected by the participant. Such distributions may be delayed to a period of six months following a participant's termination of employment to comply with applicable law.



## Employment Agreements and Potential Payments Upon Termination or Change in Control

---

### *Employment Agreements*

There were no amendments to any Named Executive Officer's employment agreement since the Company's 2015 Annual Meeting of Shareholders.

#### **Messrs. Eisenberg and Feinstein**

Messrs. Eisenberg and Feinstein have employment agreements with the Company with terms currently expiring February 25, 2017, or as further extended by mutual agreement. These agreements provide for salaries at the rate of \$800,000 per year which may be increased from time to time by the Company. The current annual salary for each of Messrs. Eisenberg and Feinstein is \$1,100,000. Under these agreements, each of Messrs. Eisenberg and Feinstein may at any time elect senior status (i.e., to be continued to be employed to provide non-line executive consultative services) at an annual salary of the greater of \$400,000 (increased for cost of living adjustments) or 50% of his average salary over the three-year period prior to such election for a period (the "Senior Status Period") of up to ten years from the date of such election. During the Senior Status Period, the executive must provide services at a level of at least 25% of the average level of services the executive performed for the prior 36 month period. During the Senior Status Period, the Company is required to provide to the executive an office at a location specified by the executive, a secretary, car service and car allowance, all on a basis comparable to that which is currently provided to the executive. The agreements contain non-competition, non-solicitation and confidentiality provisions. These provisions generally apply through the term of employment, including the Senior Status Period and any other time when salary payments are required to be made under the agreements. The agreements provide, in addition, for some of Messrs. Eisenberg's and Feinstein's employee benefits to continue during their active employment, their Senior Status Period and during the period of supplemental pension payments. For a complete description of payments due to Messrs. Eisenberg and Feinstein upon termination of their employment with the Company, see "Potential Payments Upon Termination or Change in Control" below.

#### **Messrs. Temares, Stark, Castagna and Fiorilli and Ms. Lattmann**

Messrs. Temares, Stark, Castagna and Fiorilli and Ms. Lattmann have employment agreements with the Company which provide for severance pay and other benefits upon a termination of their employment. For a complete description of payments due to Messrs. Temares, Stark, Castagna and Fiorilli and Ms. Lattmann upon termination of their employment with the Company, see "Potential Payments Upon Termination or Change in Control" below. These agreements also provide for non-competition and non-solicitation of the Company's employees during the term of employment and for one year thereafter (two years in the case of Mr. Castagna and Ms. Lattmann), and confidentiality during the term of employment and surviving the end of the term of employment.

### *Potential Payments Upon Termination or Change in Control*

The foregoing employment agreements and certain of the plans in which the executives participate require the Company to pay compensation to the executives if their employment terminates.

The estimated amount of compensation payable to such Named Executive Officers in each termination situation is listed in the table below. The table is presented using an assumed termination date and an assumed change in control date of February 27, 2016, the last day of fiscal 2015 and a price per share of common stock of \$48.99 (the "Per Share Closing Price"), the closing per share price as of February 26, 2016, the last business day of fiscal 2015. Descriptions of the agreements under which such payments would be made follow.

#### **Messrs. Eisenberg and Feinstein**

Pursuant to their employment agreements, following the Senior Status Period, Messrs. Eisenberg and Feinstein are each entitled to supplemental pension payments of \$200,000 per year (as adjusted for a cost of living increase) until the death of the survivor of him and his current spouse. The agreements provide, in addition, for some of Messrs. Eisenberg's and Feinstein's employee benefits to continue during their Senior Status Period and during the period of supplemental pension payments or following a termination other than due to "cause" (as defined below). Under the agreements, if Messrs. Eisenberg and Feinstein are terminated without cause or if the executive elects to terminate his employment due to a "constructive termination" (as defined below), the executive shall be paid through the end of the term of employment and the Senior Status Period.

The agreements were amended, effective March 1, 2014, to eliminate the executives' ability to terminate employment for any reason following a change in control and receive change in control severance payments and benefits. The agreements now

provide that, following a termination without cause or a constructive termination, in each case, occurring on a change in control of the Company (as defined in the agreements) or within two years following a change in control, each of the executives shall be paid an amount equal to three times salary then in effect, if the written notice is given before the Senior Status Period, or, if during the Senior Status Period, one half of Senior Status Salary for the number of years (including fractions), if any, remaining in the Senior Status Period, payable over such applicable period in accordance with normal payroll practices. The agreements provide that in the event any amounts paid or provided to the executive in connection with a change in control are determined to constitute “excess parachute payments” under Section 280G of the Code which would be subject to the excise tax imposed by Section 4999 of the Code, the payments and benefits due to the executive will be reduced if the reduction would result in a greater amount payable to the executive after taking into account the excise tax imposed by Section 4999 of the Code. The agreements also provide that upon a change in control of the Company, the Company will fund a “rabbi trust” for each of the executives to hold an amount equal to the value of the payments and certain benefits payable to each of the executives upon his termination of employment with the Company. In the event of termination of employment, the executives are under no obligation to seek other employment and there is no reduction in the amount payable to the executive on account of any compensation earned from any subsequent employment. In the event of termination due to death of either of the executives, the executive’s estate or beneficiary shall be entitled to his salary for a period of one year following his death and payment of expenses incurred by the executive and not yet reimbursed at the time of death. In the event of termination due to the inability to substantially perform his duties and responsibilities for a period of 180 consecutive days, the executive shall be entitled to his salary for a period of one year following the date of termination (less any amounts received under the Company’s benefit plans as a result of such disability). To the extent that any payments under the employment agreements due following the termination of Messrs. Eisenberg and Feinstein are considered to be deferred compensation under Section 409A, such amounts will commence to be paid on the earlier of the six-month anniversary of termination of employment or the executive’s death.

Either of the executives may be terminated for cause upon written notice of the Company’s intention to terminate his employment for cause, such notice to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for cause is based. The executives shall have ten days after such notice is given to cure such conduct, to the extent a cure is possible. “Cause” generally means (i) the executive is convicted of a felony involving moral turpitude or (ii) the executive is guilty of willful gross neglect or willful gross misconduct in carrying out his duties under the agreement, resulting, in either case, in material economic harm to the Company, unless the executive believed in good faith that such act or non act was in the best interests of the Company. “Constructive termination” generally means the executive’s election to terminate employment due to (i) a reduction in the executive’s salary or a material reduction in the executive’s benefits or perquisites (other than as part of any across-the-board action applicable to all executive officers of the Company), (ii) removal from, or failure to reelect the executive to, the position of co-chairman or chairman or as a director, (iii) a material diminution in the executive’s duties or the assignment of duties materially inconsistent with the executive’s duties or that materially impairs the executive’s ability to function as the co-chairman or chairman or (iv) the Company’s principal office or the executive’s own office location provided by the Company is relocated and, in any case, not timely cured by the Company. In addition, pursuant to their respective restricted stock and performance stock unit agreements, shares of restricted stock and performance stock units granted to Messrs. Eisenberg and Feinstein will vest upon death or disability, or upon a termination of employment without cause or constructive termination, subject to attainment of any applicable performance goals.

In substitution for a split dollar insurance benefit previously provided to such executives, in fiscal 2003, the Company entered into deferred compensation agreements with Messrs. Eisenberg and Feinstein under which the Company is obligated to pay Messrs. Eisenberg and Feinstein \$2,125,000 and \$2,080,000, respectively, in each case payable only on the last day of the first full fiscal year of the Company in which the total compensation of Mr. Eisenberg or Feinstein, as applicable, will not result in the loss of a deduction for such payment pursuant to applicable federal income tax law.

### **Messrs. Temares, Stark, Castagna and Fiorilli and Ms. Lattmann**

The agreements with Messrs. Temares, Stark and Fiorilli provide for severance pay equal to three years’ salary, and the agreements with Mr. Castagna and Ms. Lattmann provide for severance pay equal to one year’s salary, if the Company terminates their employment other than for “cause” (including by reason of death or disability). Additionally, the agreements with Messrs. Temares, Stark, Castagna and Fiorilli provide for one year’s severance pay if the executive voluntarily leaves the employ of the Company. Severance pay will be paid in accordance with normal payroll; however, other than for Ms. Lattmann, any amount due prior to the six months after termination of employment will be paid in a lump sum on the date following the six month anniversary of termination of employment. Any severance payable to these executives will be reduced by any monetary compensation earned by them as a result of their employment by another employer or otherwise. “Cause” is defined in the agreements as when the executive has: (i) acted in bad faith or with dishonesty; (ii) willfully failed to follow reasonable and lawful directions of the Company’s Chief Executive Officer or the Board of Directors, as applicable; (iii) performed his or her

duties with gross negligence; or (iv) been convicted of a felony. Upon a termination of employment by the Company for any reason other than for cause, all unvested options will vest and become exercisable. In addition, pursuant to their respective restricted stock and performance stock unit agreements, or, in the case of Ms. Lattmann, her employment agreement, shares of restricted stock and performance stock units granted will vest upon death or disability, or upon a termination of employment without cause subject to attainment of any applicable performance goals. These agreements also provide for non-competition and non-solicitation during the term of employment and for one year thereafter (two years in the case of Mr. Castagna and Ms. Lattmann), and confidentiality during the term of employment and surviving the end of the term of employment.

Mr. Temares has a supplemental executive retirement benefit agreement and a related escrow agreement, under which he is entitled to receive a supplemental retirement benefit on his retirement or other separation from service from the Company. The retirement benefit will be payable in the form of a lump sum equal to the present value of an annual amount equal to 50% of Mr. Temares' annual base salary on the date of termination of employment if such annual amount were paid for a period of 10 years in accordance with the Company's normal payroll practices. Except in the case of Mr. Temares' death (in which case the supplemental retirement benefit will be immediately payable) and the agreement as to escrow, the supplemental retirement benefit will be paid on the first business day following the six month anniversary of Mr. Temares' termination and will be includible in his income for tax purposes at such time.

In the event Mr. Temares elects to retire or voluntarily terminates his employment with the Company, a portion of the supplemental retirement benefit, net of withholdings, will be deposited into an escrow account governed by a separate agreement. No portion of the supplemental retirement benefit will be deposited into the escrow account, however, in the event Mr. Temares dies, is terminated by the Company without cause (as such term is defined in his employment agreement), terminates due to disability, or terminates employment within 12 months following a change of control. In the event Mr. Temares elects to retire or voluntarily terminates his employment with the Company, 1/10 of the lump sum supplemental retirement benefit distribution (net of applicable withholding taxes) will be distributed to Mr. Temares; and 9/10 of the lump sum supplemental retirement benefit distribution (net of applicable withholding taxes) will be deposited into an escrow account to be distributed in nine equal annual installments on each of the following nine anniversaries of the deposit date, subject to acceleration in the case of Mr. Temares' death or a change of control of the Company. The entire escrow account will be distributed to Mr. Temares' beneficiary no later than 30 days following his death or to Mr. Temares no later than 30 days following a change of control of the Company. If Mr. Temares does not comply with the restrictive covenant not to compete with the Company (as described in his employment agreement, for the term of the escrow agreement) prior to the payment of the entire escrow amount, the Company will have the right to direct the escrow agent to pay the remaining escrow amount to the Company no later than 15 days after notice to the escrow agent and Mr. Temares will forfeit any and all rights to such remaining escrow amount. Mr. Temares has agreed that in the event any amount in escrow is forfeited, he will use commercially reasonable efforts to obtain a refund of applicable taxes and remit such refund to the Company and the Company has agreed to reimburse Mr. Temares, or to pay on his behalf, reasonable legal fees and expenses incurred in connection with such a refund request. Although the amended Supplemental Executive Retirement Plan ("SERP") provides that Mr. Temares will be protected from any impact resulting from the possible application of Section 409A to the terms of the SERP due to the complexities surrounding Section 409A, the Company believes that no such payment will be required.

Table and related footnotes follow:

PROPOSAL 3—APPROVAL, BY NON-BINDING VOTE, OF 2015 EXECUTIVE COMPENSATION

	Cash Severance	Senior Status Salary Continuation <sup>(3)</sup>	Option Acceleration <sup>(4)</sup>	Restricted Stock Acceleration <sup>(4)</sup>	PSU Acceleration <sup>(5)</sup>	Benefit Continuation <sup>(6)</sup>	Nonqualified Deferred Compensation Balance <sup>(7)</sup>	Supplemental Pension <sup>(8)</sup>	Split-Dollar Life Insurance Substitute Payment <sup>(9)</sup>	Total
<b>Warren Eisenberg<sup>(10)</sup></b>										
Termination Without Cause/Constructive Termination <sup>(1)(2)</sup>	\$ 1,093,989	\$ 5,740,637	\$ —	\$ 1,320,134	\$ 1,366,086	\$ 1,293,823	\$ 4,042,012	\$ 439,267	\$ 2,125,000	\$ 17,420,948
Change in Control (No Termination)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Change in Control + Termination <sup>(11)</sup>	\$ 3,300,000	\$ —	\$ —	\$ 1,320,134	\$ 1,366,086	\$ 1,293,823	\$ 4,042,012	\$ 2,065,419	\$ 2,125,000	\$ 15,512,474
<b>Leonard Feinstein<sup>(10)</sup></b>										
Termination Without Cause/Constructive Termination <sup>(1)(2)</sup>	\$ 1,093,989	\$ 5,740,637	\$ —	\$ 1,320,134	\$ 1,366,086	\$ 1,777,948	\$ 4,068,995	\$ 972,740	\$ 2,080,000	\$ 18,420,529
Change in Control (No Termination)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Change in Control + Termination <sup>(11)</sup>	\$ 3,300,000	\$ —	\$ —	\$ 1,320,134	\$ 1,366,086	\$ 1,777,948	\$ 4,068,995	\$ 2,822,658	\$ 2,080,000	\$ 16,735,821
<b>Steven H. Temares<sup>(12)</sup></b>										
Termination Without Cause <sup>(11)</sup>	\$ 11,902,500	\$ —	\$ —	\$ 5,461,013	\$ 9,225,503	\$ —	\$ 387,874	\$ 19,055,452	\$ —	\$ 46,032,342
Voluntary Termination <sup>(13)</sup>	\$ 3,967,500	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 387,874	\$ 19,055,452	\$ —	\$ 23,410,826
Change in Control (No Termination)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Change in Control + Termination <sup>(11)</sup>	\$ 11,902,500	\$ —	\$ —	\$ 5,461,013	\$ 9,225,503	\$ —	\$ 387,874	\$ 19,055,452	\$ —	\$ 46,032,342
<b>Arthur Stark<sup>(14)</sup></b>										
Termination Without Cause <sup>(11)</sup>	\$ 5,370,000	\$ —	\$ 184,556	\$ 2,920,490	\$ 1,476,412	\$ —	\$ 33,973	\$ —	\$ —	\$ 9,985,431
Voluntary Termination <sup>(13)</sup>	\$ 1,790,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 33,973	\$ —	\$ —	\$ 1,823,973
Change in Control (No Termination)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Change in Control + Termination <sup>(11)</sup>	\$ 5,370,000	\$ —	\$ 184,556	\$ 2,920,490	\$ 1,476,412	\$ —	\$ 33,973	\$ —	\$ —	\$ 9,985,431
<b>Eugene A. Castagna<sup>(14)</sup></b>										
Termination Without Cause <sup>(13)</sup>	\$ 1,840,000	\$ —	\$ 184,556	\$ 2,455,673	\$ 1,515,261	\$ —	\$ 1,482,627	\$ —	\$ —	\$ 7,478,117
Voluntary Termination <sup>(13)</sup>	\$ 1,840,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,482,627	\$ —	\$ —	\$ 3,322,627
Change in Control (No Termination)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Change in Control + Termination <sup>(13)</sup>	\$ 1,840,000	\$ —	\$ 184,556	\$ 2,455,673	\$ 1,515,261	\$ —	\$ 1,482,627	\$ —	\$ —	\$ 7,478,117
<b>Susan E. Lattmann<sup>(14)</sup></b>										
Termination Without Cause <sup>(13)</sup>	\$ 900,000	\$ —	\$ —	\$ 558,094	\$ 760,717	\$ —	\$ 281,773	\$ —	\$ —	\$ 2,500,584
Change in Control (No Termination)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Change in Control + Termination <sup>(13)</sup>	\$ 900,000	\$ —	\$ —	\$ 558,094	\$ 760,717	\$ —	\$ 281,773	\$ —	\$ —	\$ 2,500,584
<b>Matthew Fiorilli<sup>(14)</sup></b>										
Termination Without Cause <sup>(11)</sup>	\$ 5,025,000	\$ —	\$ 184,556	\$ 2,347,405	\$ 1,248,706	\$ —	\$ 838,681	\$ —	\$ —	\$ 9,644,348
Voluntary Termination <sup>(13)</sup>	\$ 1,675,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 838,681	\$ —	\$ —	\$ 2,513,681
Change in Control (No Termination)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Change in Control + Termination <sup>(11)</sup>	\$ 5,025,000	\$ —	\$ 184,556	\$ 2,347,405	\$ 1,248,706	\$ —	\$ 838,681	\$ —	\$ —	\$ 9,644,348

PROPOSAL 3—APPROVAL, BY NON-BINDING VOTE, OF 2015 EXECUTIVE COMPENSATION

- (1) Cash severance represents current salary continuation through February 25, 2017.
- (2) In the event of a termination of employment due to death or disability, each of Messrs. Eisenberg and Feinstein (or their respective estates) will receive the same payments as if there was a "Termination Without Cause/Constructive Termination," except that neither Mr. Eisenberg nor Mr. Feinstein (nor their respective estates) will receive either "Senior Status Salary Continuation" or "Benefit Continuation" payments.
- (3) Represents \$400,000, adjusted for the cost of living increase between June 30, 2000 and June 30, 2015 for the CPI-U for NY, Northern NJ and LI, for 10 years during the Senior Status Period.
- (4) Represents the value of unvested outstanding stock options and restricted stock that would accelerate and vest on a termination occurring on February 27, 2016. In the case of stock options, the value is calculated by multiplying the number of shares underlying each accelerated unvested stock option by the difference between the Per Share Closing Price and the per share exercise price. In the case of restricted stock, the value is calculated by multiplying the number of shares of restricted stock that accelerate and vest by the Per Share Closing Price.
- (5) Represents the value of unvested outstanding performance stock unit (PSU) awards that would accelerate and vest on a termination without cause (and, in the cases of Messrs. Eisenberg and Feinstein, upon a termination without cause or constructive termination), subject to attainment of any applicable performance goals and after the Compensation Committee certifies achievement of the applicable performance test. These values represent acceleration of the portion of (i) the 2014 PSU awards for which the one-year performance test has been met and (ii) the 2015 PSU awards subject to the one-year performance test at target, which result was reasonably estimable on February 27, 2016 based on assumptions regarding the performance of the peer companies. The portion of 2014 and 2015 PSU awards subject to a three-year performance test, based on relative performance against the peer companies, was substantially uncertain on February 27, 2016 and is not included. For a more complete discussion of the metrics and method of calculating the applicable performance metrics for PSU awards, please see the discussion of Performance Stock Units in the Equity Compensation section of the Compensation Discussion & Analysis above.
- (6) Represents the estimated present value of continued health and welfare benefits and other perquisites for the life of the executive and his spouse.
- (7) Reflects executives' vested account balances as of February 27, 2016.
- (8) For Messrs. Eisenberg and Feinstein, represents the estimated present value of lifetime supplemental pension payments, commencing six months following the conclusion of the Senior Status Period. For Mr. Temares, present value will be paid out six months following (1) termination without cause or (2) any termination (including voluntary termination) following a change in control.
- (9) This amount will be paid on the last day of the following fiscal year.
- (10) The employment agreements of Messrs. Eisenberg and Feinstein provide that in the event any amounts paid or provided to the executive in connection with a change in control are determined to constitute "excess parachute payments" under Section 280G of the Code which would be subject to the excise tax imposed by Section 4999 of the Code, the payments and benefits due to the executive will be reduced if the reduction would result in a greater amount payable to the executive after taking into account the excise tax imposed by Section 4999 of the Code. However, no reduction of payments and benefits are disclosed above since neither of these executives would have been subject to excise taxes as a result of payments subject to Section 280G of the Code that would have been made in connection with a change in control occurring on February 27, 2016.
- (11) Cash severance represents three times current salary payable over a period of three years following a termination without cause; or, in the cases of Messrs. Eisenberg and Feinstein, following a termination without cause or constructive termination occurring on a change in control or within two years following a change in control.
- (12) In the event of a termination of employment due to death or disability, Mr. Temares (or his estate) will receive the same payments as if there was a "Termination Without Cause."
- (13) Cash severance represents one times current salary payable over a period of one year.
- (14) In the event of a termination of employment due to death or disability, the Named Executive Officer (or the executive's estate) will receive the same payments as if there were a "Termination Without Cause."

## PROPOSAL 4—SHAREHOLDER PROPOSAL REGARDING PROXY ACCESS BYLAWS

We have been notified that the following shareholder proposal will be presented for consideration at the Annual Meeting. Promptly upon receipt of an oral or written request we will provide you with the name and address of, and number of shares held by, each proponent.

RESOLVED: Shareholders of Bed Bath & Beyond Inc. (the “Company”) ask the board of directors (“the Board”) to take the steps necessary to adopt a “proxy access” bylaw. Such a bylaw shall require the Company to include in proxy materials prepared for a shareholder meeting at which directors are to be elected the name, Disclosure and Statement (as defined herein) of any person nominated for election to the board by a shareholder or group (the “Nominator”) that meets the criteria established below. The Company shall allow shareholders to vote on such nominee on the Company’s proxy card.

The number of shareholder-nominated candidates appearing in proxy materials shall not exceed one quarter of the directors then serving. This bylaw, which shall supplement existing rights under Company bylaws, should provide that a Nominator must:

- (a) have beneficially owned 3% or more of the Company’s outstanding common stock continuously for at least three years before submitting the nomination;
- (b) give the Company, within the time period identified in its bylaws, written notice of the information required by the bylaws and any Securities and Exchange Commission rules about (i) the nominee, including consent to being named in the proxy materials and to serving as director if elected; and (ii) the Nominator, including proof it owns the required shares (the “Disclosure”); and
- (c) certify that (i) it will assume liability stemming from any legal or regulatory violation arising out of the Nominator’s communications with the Company shareholders, including the Disclosure and Statement; (ii) it will comply with all applicable laws and regulations if it uses soliciting material other than the Company’s proxy materials; and (iii) to the best of its knowledge, the required shares were acquired in the ordinary course of business and not to change or influence control at the Company.

The Nominator may submit with the Disclosure a statement not exceeding 500 words in support of each nominee (the “Statement”). The Board shall adopt procedures for promptly resolving disputes over whether notice of a nomination was timely, whether the Disclosure and Statement satisfy the bylaw and applicable federal regulations, and the priority to be given to multiple nominations exceeding the one-quarter limit.

### SUPPORTING STATEMENT

We believe proxy access is a fundamental shareholder right that will make directors more accountable and enhance shareholder value. A 2014 CFA Institute study concluded that proxy access would “benefit both the markets and corporate boardrooms, with little cost or disruption” and could raise overall US market capitalization by up to \$140.3 billion if adopted market-wide. (<http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2014.n9.1>)

The proposed terms are similar to those in vacated SEC Rule 14a-11 (<https://www.sec.gov/rules/final/2010/33-9136.pdf>). The SEC, following extensive analysis and input from companies and investors, determined that those terms struck the proper balance of providing shareholders with a viable proxy access right while containing appropriate safeguards.

The proposed terms enjoy strong support. Through October 2015, votes on more than 100 similar proposals averaged 55% and at least 60 companies enacted bylaws with similar terms.

We urge shareholders to vote FOR this proposal.

### The Board of Directors Recommends a Vote Against Proposal 4

The Board of Directors recognizes that proxy access is an important development in corporate governance. Our directors, and particularly our Nominating and Corporate Governance Committee, have discussed and will continue to discuss proxy access developments with shareholders as part of the Company’s shareholder engagement program.

Based on discussions with our shareholders, we know that not all shareholders support proxy access. Among those who do support proxy access, there are differing views of the features that are appropriate for a proxy access bylaw. Additionally, based on our review of proxy access bylaws that have been adopted by other companies, there is an array of approaches on structure and fundamental terms. For example, there is not a market consensus on the percentage of shareholder-nominated candidates that can appear in the Company’s proxy materials, which we believe is a fundamental term. The proposal requires



this percentage to be 25%, which is inconsistent with market trends of 20%. Accordingly, we recognize that proxy access standards are still evolving and that there is not yet a set of terms that is widely accepted by all stakeholders.

While proxy access is a trending issue in corporate governance, only a minority of companies have adopted it to date. The Board believes that any decision to implement proxy access should be made in a careful and deliberative manner. For example, the Board wishes to further review continuing marketplace developments and carefully consider the intended and potentially unintended consequences of proxy access bylaws.

The Board is committed to further engagement with shareholders on proxy access and further evaluation of the issue in the coming year. Moreover, the Board intends to substantively address proxy access in advance of the Company's 2017 annual meeting. We believe that, by that time, there is more likely to be market consensus on the fundamental terms for a proxy access bylaw.

Prior to any adoption of proxy access bylaws, our shareholders continue to have different methods for participating in the director nomination process, including:

- Submitting for consideration the names of potential directors directly to the Nominating and Corporate Governance Committee; and
- In accordance with SEC rules, state law and our bylaws, nominating and soliciting proxies for their own director candidates at shareholder meetings.

Additionally, we have procedures to ensure that our directors are accountable for continually representing the interests of our shareholders. These procedures include (i) a non-classified Board where each director must be re-elected annually by receiving a majority of votes cast; (ii) an annual evaluation of the Board and each committee by our directors; (iii) active shareholder outreach by the Board; and (iv) an established process for any shareholder to communicate with the Board, including with respect to potential board members.

We believe that the foregoing procedures provide our shareholders with a sufficient voice in the director nomination and election process, even without proxy access bylaws. Given these existing procedures and pending our shareholder engagement and monitoring of proxy access developments (including a more fulsome evaluation of the appropriate terms that proxy access bylaws should contain) over the next year, the Board believes that this proposal is not currently in the best interest of our shareholders and not the proper mechanism for considering proxy access.

**FOR THE FOREGOING REASONS, YOUR BOARD OF DIRECTORS  
RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

## PROPOSAL 5—SHAREHOLDER PROPOSAL REGARDING AN EQUITY RETENTION POLICY FOR SENIOR EXECUTIVES

We have been notified that the following shareholder proposal will be presented for consideration at the Annual Meeting. Promptly upon receipt of an oral or written request we will provide you with the name and address of, and number of shares held by, each proponent.

RESOLVED: Shareholders of Bed Bath & Beyond Inc. (the “Company”) urge the Compensation Committee of the Board of Directors (the “Committee”) to adopt a policy requiring that senior executives retain a significant percentage of shares acquired through equity compensation programs until reaching normal retirement age or terminating employment with the Company. For the purpose of this policy, normal retirement age shall be defined by the Company’s qualified retirement plan that has the largest number of plan participants. The shareholders recommend that the Committee adopt a share retention percentage requirement of at least 50 percent of net after-tax shares. The policy should prohibit hedging transactions for shares subject to this policy which are not sales but reduce the risk of loss to the executive. This policy shall supplement any other share ownership requirements that have been established for senior executives, and should be implemented so as not to violate the Company’s existing contractual obligations or the terms of any compensation or benefit plan currently in effect.

### SUPPORTING STATEMENT

Equity-based compensation is an important component of senior executive compensation at our Company. While we encourage the use of equity-based compensation for senior executives, we are concerned that our Company’s senior executives are generally free to sell shares received from our Company’s equity compensation plans. In our opinion, the Company’s current share ownership guidelines for its senior executives do not go far enough to ensure that the Company’s equity compensation plans continue to build stock ownership by senior executives over the long-term.

As detailed in last year’s proxy statement, our Company’s share ownership guidelines required the CEO Steven Temares to hold stock with a value of at least \$6,000,000 or approximately 111,982 shares according to the current trading price. For comparison, in 2014 Mr. Temares’ targeted amount of equity awards was 155,796 shares and 231,682 option awards. In other words the supposed “long-term” share ownership requirement could be met with less than half of one year’s worth of stock and option awards. In addition Mr. Temares already owns 2,018,624 shares or roughly 18 times the requirement.

We believe that requiring senior executives to only hold shares equal to a set target loses effectiveness over time. After satisfying these target holding requirements, senior executives are free to sell all the additional shares they receive in equity compensation.

Our proposal seeks to better link executive compensation with long-term performance by requiring a meaningful share retention ratio for shares received by senior executives from the Company’s equity compensation plans. A 2009 report by the Conference Board Task Force on Executive Compensation observed that such hold-through-retirement requirements give executives “an ever growing incentive to focus on long-term stock price performance as the equity subject to the policy increases” (available at [http://www.conference-board.org/pdf\\_free/ExecCompensation2009.pdf](http://www.conference-board.org/pdf_free/ExecCompensation2009.pdf)).

We urge shareholders to vote FOR this proposal.

### The Board of Directors Recommends a Vote Against Proposal 5

---

The Board of Directors believes that equity interest by our senior executives is an important part of our executive compensation program and, along with other aspects of our compensation program, aligns the interests of our shareholders and our executives. The Company’s active engagement with shareholders is, and will continue to be, a more productive means of ensuring an appropriate level of equity interest rather than the proposal’s requirements of an inflexible mandatory policy.

The Board recommends a vote against proposal 5 because:

- The proposal’s policy is unnecessary because our Named Executive Officers currently hold a substantial amount of, and have a substantial economic interest in, our common stock.
- Our current executive compensation program and policies already align our senior executives’ interests with the long-term interests of shareholders.
- The proposed policy could be harmful in several respects and limit our ability to attract and retain qualified candidates for senior executive positions.



**Our Named Executive Officers currently hold a substantial amount of, and have a substantial economic interest in, our common stock.**

Our Named Executive Officers have a strong interest in our long-term performance due to their substantial holdings and economic interest in our common stock, which is reflected in the table below. Other than our Chief Executive Officer, who is already subject to, and complies with, a robust stock ownership policy, our Named Executive Officers have achieved this high level of ownership despite not being bound to a formal policy for stock ownership. Additionally, our Chief Executive Officer has greatly exceeded his required ownership amount of \$6,000,000. This substantial ownership, and related economic interest, by our Named Executive Officers motivates them to deliver long-term results, while at the same time discourages them from unreasonable risk-taking.

Named Executive Officer	Shares/Shares Equivalent <sup>(1)</sup>	Share/Share Equivalent Value <sup>(2)</sup>
Warren Eisenberg	1,108,420	\$48,841,554
Leonard Feinstein	968,521	\$42,509,725
Steven H. Temares	1,550,598	\$37,558,815
Arthur Stark	189,165	\$ 7,110,643
Eugene A. Castagna	177,869	\$ 6,346,314
Susan E. Lattmann <sup>(3)</sup>	32,593	\$ 1,475,159
Matthew Fiorilli	193,474	\$ 6,293,409

- (1) Includes (i) shares of common stock held directly or through an estate planning vehicle for the benefit of the executive (but not solely for the benefit of his or her family members); (ii) restricted stock where any applicable performance goals have been achieved; (iii) performance stock units whose performance goals have been achieved and (iv) shares of common stock underlying in-the-money, vested stock options (the value of such option shares are calculated as described in footnote 2 below). Share ownership is as of May 6, 2016, the record date.
- (2) Calculated based on the closing price of \$45.26 per share on May 6, 2016. For shares of common stock underlying in-the-money, vested stock options, value reflects the difference between the aforementioned closing price and the exercise price.
- (3) Ms. Lattmann became an executive officer on February 26, 2014. These numbers reflect her shorter tenure as a Named Executive Officer.

**Our current executive compensation program and policies already align our senior executives' interests with the long-term interests of shareholders.**

The following aspects of our executive compensation program align the interests of our senior executives with that of our shareholders and render the proposed policy unnecessary for the achievement of that goal.

- Focus on long-term equity incentive awards. We do not employ short-term cash incentives or pay cash bonuses, and consequently, a large proportion of each executive's annual compensation has been in the form of long-term equity incentive awards, in the form of stock options or performance stock units. As a result, executives have a rolling, long-term incentive linked to the value of our common stock.
- Anti-hedging policy. We have a policy against hedging transactions with respect to our Company's securities, and this policy further aligns the interests of our senior executives with that of our shareholders by prohibiting our executives from engaging in transactions designed to hedge or offset decreases in the market value of our common stock that they hold.

**The proposed policy could be harmful in several respects and limit our ability to attract and retain qualified candidates for senior executive positions.**

While the Board believes it is important that our executives have a meaningful equity stake in our Company, the Board also believes that executives should not be restricted from responsibly managing their personal financial affairs and diversifying their investment portfolios over the course of their careers. This is already made more challenging for executives by an internal policy that restricts their trading in our common stock to certain limited window periods during the year and, even then, only when they are not in possession of material, nonpublic information.

The policy could also put us at a competitive disadvantage in retaining our current, and attracting new, senior executives, given that the majority of large public companies, including major retailers, do not require senior executives to retain such a significant share interest for such an extended period of time. This policy could have a particular negative effect on younger executives, who could be potentially faced with decades of a retention obligation not imposed by our competitors.

**FOR THE FOREGOING REASONS, YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

## PROPOSAL 6—SHAREHOLDER PROPOSAL REGARDING SHAREHOLDER APPROVAL OF CERTAIN FUTURE SEVERANCE AGREEMENTS

We have been notified that the following shareholder proposal will be presented for consideration at the Annual Meeting. Promptly upon receipt of an oral or written request we will provide you with the name and address of, and number of shares held by, each proponent.

RESOLVED: that the shareholders of Bed Bath & Beyond Inc. (“the Company”) urge the Board of Directors to seek shareholder approval of future severance agreements with senior executives that provide benefits in an amount exceeding 2.99 times the sum of the executives’ base salary plus bonus.

“Future severance agreements” include employment agreements containing severance provisions, special retirement provisions and agreements renewing, modifying or extending existing agreements.

“Benefits” include lump-sum cash payments (including payments in lieu of medical and other benefits); the payment of any “gross-up” tax liability; the estimated present value of special retirement provisions; any stock or option awards that are awarded under any severance agreement; any prior stock or option awards as to which the executive’s access is accelerated under the severance agreement; fringe benefits; and consulting fees (including reimbursable expenses) to be paid to the executive.

### SUPPORTING STATEMENT

We believe that requiring shareholder ratification of “golden parachute” severance packages with a total cost exceeding 2.99 times an executive’s base salary plus bonus will provide valuable feedback, encourage restraint, and strengthen the hand of the Board’s compensation committee.

According to the Summary of Potential Payments Upon Termination or Change in Control on page 36 of the Company’s 2015 Proxy Statement, if there is a change of control and the chief executive officer is terminated, he will receive three times the sum of his base salary. According to the Company’s 2015 Proxy Statement, if there had been a change of control and termination on February 28, 2015, the CEO would have received a cash severance of \$11.9 million upon termination, in addition to payments for equity awards and other benefits. In the CEO’s case, he would receive a total of \$62.6 million in a change in control and termination scenario.

If you agree with us that the Company should seek shareholder ratification of severance packages with a total cost exceeding 2.99 times an executive’s base salary plus bonus, then please VOTE FOR this proposal.

### The Board of Directors Recommends a Vote Against Proposal 6

The Compensation Committee works to structure the Company’s compensation program to attract, incentivize and retain executives to carry out our business strategy. The Compensation Committee requires flexibility in a dynamic environment where competitive compensation structures and applicable laws are subject to change. The Company’s active engagement with shareholders is, and will continue to be, a more productive means of ensuring accountability in designing executive compensation arrangements than the proposal’s requirements of requiring shareholder approval for each severance agreement.

The Board recommends a vote against proposal 6 because:

- The proposed policy could adversely impact the Company’s ability to secure high-performing executives.
- The Compensation Committee has evolved in its approach to severance arrangements for executives, without the need for a rigid policy.
- Accelerated vesting of equity awards is appropriate given our compensation practices, which do not include cash bonuses for executives.
- We seek and obtain shareholder feedback on compensation issues.

**The proposed policy would be unduly restrictive and could adversely impact the Company’s ability to secure high-performing executive talent in the future.**

The structure of compensation and retention programs in the marketplace for talent is constantly changing. Tax policy and legal requirements evolve over time as well. The severance aspects of an executive compensation package will often be

structured and negotiated on an individual by individual basis taking into account these market trends, tax policies and legal requirements. Subjecting the severance element to shareholder approval would interfere with these individual negotiations and could jeopardize the Company’s ability to design and extend an attractive and competitive employment offer to future executives.

- Prior shareholder approval through special meeting. Calling and holding a special meeting is an expensive and time-consuming process, and top candidates are unlikely to be willing to wait for such approval and may instead seek employment elsewhere, including at one of the Company’s competitors that does not have similar restrictions on executive severance.
- Post-signing shareholder ratification. Even if shareholder ratification, after the fact, is an acceptable method of obtaining shareholder approval under the proposal, the potential for shareholders to reject the severance provisions—potentially many months after the compensation package is finalized—would likely cause top candidates to view the agreed-upon severance provisions as too uncertain to merit serious consideration.

Given these risks, the Company believes that shareholder interests are best protected by providing flexibility to the Compensation Committee, which consists solely of independent directors and oversees all matters regarding senior executive compensation, on how to design severance packages for potential executive candidates.

**The Compensation Committee has evolved in its approach to severance arrangements for executives, without the need for a rigid policy.**

Our severance agreements with our Chief Operating Officer and, more recently, our Chief Financial Officer provide for a cash severance payment upon a termination without cause of only one times each officer’s salary (compared to three times salary in older agreements with other Named Executive Officers). Additionally, in connection with a change in control transaction, the agreements with our Named Executive Officers contain a “double trigger” arrangement whereby the executives receive equity acceleration only upon a qualifying termination following the change in control transaction (which in the case of our Co-Chairmen includes “constructive termination” as described under Employment Agreements and Potential Payments Upon Termination or Change in Control, above).

**Accelerated vesting of equity awards is appropriate given our compensation practices, which do not include cash bonuses for executives.**

While our senior executives continue to be eligible to receive accelerated vesting of equity awards in certain termination scenarios, we believe that this benefit is appropriate given our compensation practice. Because our compensation packages for executives do not include cash bonuses, the proposed policy relying on that element as a basis of severance pay would be severely limiting.

- We do not award cash bonuses and instead provide the largest portion of compensation to our senior executives in the form of equity awards (including performance-based awards). We believe that this structure properly incentivizes our executives to achieve long-term value for, and aligns their interests with, our shareholders.
- In light of the fundamental role equity plays in our compensation structure, the Compensation Committee believes that it is appropriate that certain termination scenarios result in acceleration of equity awards at an amount greater than the proposal’s specified cap. For example, our existing arrangements providing for accelerated vesting of equity awards allow our senior executives to remain focused on protecting shareholders’ interests in the event of a potential change in control transaction and not be distracted by concerns about losing a substantial portion of their unvested equity compensation.

**The Compensation Committee seeks and obtains extensive and detailed shareholder feedback through its outreach program.**

As described elsewhere in this proxy statement, the Company reached out to shareholders representing approximately 68% of the Company’s outstanding shares over the course of the last year, and members of the Compensation Committee have met or spoken with shareholders representing approximately 50% of the Company’s shares. Similar engagement has occurred in prior years. Such shareholder outreach is the most effective method of providing shareholders with a voice in the Company’s executive compensation program. Requiring additional shareholder approval of a specific element of a compensation package is unlikely to provide shareholders with more effective input and carries the risk of jeopardizing the Company’s ability to attract and retain qualified candidates.

**FOR THE FOREGOING REASONS, YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of shares of our common stock as of May 6, 2016 by (i) each person or group of affiliated persons known by us to beneficially own more than 5% of our common stock; (ii) our Named Executive Officers; (iii) each of our directors and nominees for director; and (iv) all of our directors and executive officers as a group.

The following table gives effect to the shares of common stock issuable within 60 days of May 6, 2016 upon the exercise of all options and other rights beneficially owned by the indicated stockholders on that date. Beneficial ownership is determined in accordance with Rule 13d-3 promulgated under Section 13 of the Exchange Act, and includes voting and investment power with respect to shares. Percentage of beneficial ownership is based on 154,366,662 shares of our common stock outstanding at May 6, 2016. Except as otherwise noted below, each person or entity named in the following table has sole voting and investment power with respect to all shares of our common stock that he, she or it beneficially owns.

Unless otherwise indicated, the address of each beneficial owner listed below is c/o Bed Bath & Beyond Inc., 650 Liberty Avenue, Union, New Jersey 07083.

Name	Position	Number of Shares of Common Stock Beneficially Owned and Percent of Class as of May 6, 2016	
The Vanguard Group		13,701,292 <sup>(1)</sup>	8.9%
BlackRock, Inc.		10,584,463 <sup>(2)</sup>	6.9%
FMR LLC		10,224,916 <sup>(3)</sup>	6.6%
Brown Brothers Harriman & Co.		8,823,373 <sup>(4)</sup>	5.7%
State Street Corporation		8,620,466 <sup>(5)</sup>	5.6%
Warren Eisenberg	Co-Chairman and Director	2,043,024 <sup>(6)</sup>	1.3%
Leonard Feinstein	Co-Chairman and Director	1,902,906 <sup>(7)</sup>	1.2%
Steven H. Temares	Chief Executive Officer and Director	2,290,171 <sup>(8)</sup>	1.5%
Arthur Stark	President and Chief Merchandising Officer	276,024 <sup>(9)</sup>	*
Eugene A. Castagna	Chief Operating Officer	266,025 <sup>(10)</sup>	*
Susan E. Lattmann	Chief Financial Officer and Treasurer	38,770 <sup>(11)</sup>	*
Matthew Fiorilli	Senior Vice President—Stores	281,336 <sup>(12)</sup>	*
Dean S. Adler	Director	28,617	*
Stanley F. Barshay	Director	23,915	*
Geraldine T. Elliott	Director	2,815	*
Klaus Eppler	Director	14,460	*
Patrick R. Gaston	Director	17,539	*
Jordan Heller	Director	16,372	*
Victoria A. Morrison	Director	14,155	*
All Directors and Executive Officers as a Group (14 persons)		7,216,129	4.7%

\* Less than 1% of the outstanding common stock of the Company.

(1) Information regarding The Vanguard Group was obtained from a Schedule 13G filed with the SEC on February 10, 2016 by The Vanguard Group. The Schedule 13G states that The Vanguard Group has sole voting power of 311,802 shares of common stock, shared voting power of 16,700 shares of common stock, sole dispositive power of 13,371,420 shares of common stock and shared dispositive power of 329,872 shares of common stock. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.

(2) Information regarding BlackRock, Inc. was obtained from a Schedule 13G filed with the SEC on February 10, 2016 by BlackRock, Inc. The Schedule 13G states that BlackRock, Inc. has sole voting power of 9,064,922 shares of common stock and sole dispositive power of 10,584,463 shares of common stock. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

- (3) Information regarding FMR LLC was obtained from a Schedule 13G filed with the SEC on February 12, 2016 by FMR LLC. The Schedule 13G states that FMR LLC has sole voting power of 1,627,216 shares of common stock and sole dispositive power of 10,224,916 shares of common stock. The address of FMR LLC is 245 Summer Street, Boston, MA 02210.
- (4) Information regarding Brown Brothers Harriman & Co. was obtained from a Schedule 13G filed with the SEC on February 16, 2016 by Brown Brothers Harriman & Co. The Schedule 13G states that Brown Brothers Harriman & Co. has sole voting power and sole dispositive power of 2,657,816 shares of common stock, shared voting power of 6,165,557 shares of common stock, and shared dispositive power of 7,271,692 shares of common stock. The address of Brown Brothers Harriman & Co. is 140 Broadway, New York, NY 10005.
- (5) Information regarding State Street Corporation was obtained from a Schedule 13G filed with the SEC on February 12, 2016 by State Street Corporation. The Schedule 13G states that State Street Corporation has shared voting power and shared dispositive power of 8,620,466 shares of common stock. The address of State Street Corporation is One Lincoln Street, Boston, MA 02111.
- (6) The shares shown as being owned by Mr. Eisenberg include: (a) 518,204 owned by Mr. Eisenberg individually; (b) 122,003 shares issuable pursuant to stock options granted to Mr. Eisenberg that are exercisable or become exercisable within 60 days; (c) 500,000 shares owned by a foundation of which Mr. Eisenberg and his family members are trustees and officers; (d) 869,855 shares owned by trusts for the benefit of Mr. Eisenberg and his family members; (e) 26,947 shares of restricted stock; and (f) 6,015 shares underlying PSUs that are expected to vest within 60 days. Mr. Eisenberg has sole voting power with respect to the shares held by him individually and in trust for which he is the trustee but disclaims beneficial ownership of any of the shares not owned by him individually and in trust for which he is not the trustee.
- (7) The shares shown as being owned by Mr. Feinstein include: (a) 900,218 shares owned by Mr. Feinstein individually; (b) 122,003 shares issuable pursuant to stock options granted to Mr. Feinstein that are exercisable or become exercisable within 60 days; (c) 350,000 shares owned by a foundation of which Mr. Feinstein and his family members are directors and officers; (d) 156,483 shares held by trusts for the benefit of Mr. Feinstein's family members; (e) 341,240 shares owned by his spouse; (f) 26,947 shares of restricted stock; and (g) 6,015 shares underlying PSUs that are expected to vest within 60 days. Mr. Feinstein has sole voting power with respect to the shares held by him individually and in trust for which he is the trustee but disclaims beneficial ownership of any of the shares not owned by him individually and in trust for which he is not the trustee.
- (8) The shares shown as being owned by Mr. Temares include: (a) 412,615 shares owned by Mr. Temares individually; (b) 1,520,705 shares issuable pursuant to stock options granted to Mr. Temares that are exercisable or become exercisable within 60 days; (c) 187,144 shares issuable pursuant to stock options that are exercisable held by a family limited partnership, of which Mr. Temares and his spouse are the sole general partners, and of which Mr. Temares and his spouse serve as limited partners together with trusts for the benefit of Mr. Temares, his spouse and his children; (d) 14,286 shares owned by the above described family limited partnership; (e) 5,000 shares owned by a family limited partnership established by Mr. Temares' mother; (f) 111,472 shares of restricted stock; and (g) 38,949 shares underlying PSUs that are expected to vest within 60 days. Mr. Temares has sole voting power with respect to the shares held by him individually and the above described family limited partnership but disclaims beneficial ownership of the shares owned by the family limited partnership established by Mr. Temares' mother.
- (9) The shares shown as being owned by Mr. Stark include: (a) 85,018 shares owned by Mr. Stark individually; (b) 125,176 shares issuable pursuant to stock options granted to Mr. Stark that are exercisable or become exercisable within 60 days; (c) 59,614 shares of restricted stock; and (d) 6,216 shares underlying PSUs that are expected to vest within 60 days.
- (10) The shares shown as being owned by Mr. Castagna include: (a) 74,277 shares owned by Mr. Castagna individually; (b) 135,406 shares issuable pursuant to stock options granted to Mr. Castagna that are exercisable or become exercisable within 60 days; (c) 50,126 shares of restricted stock; and (d) 6,216 shares underlying PSUs that are expected to vest within 60 days.
- (11) The shares shown as being owned by Ms. Lattmann include: (a) 15,186 shares owned by Ms. Lattmann individually; (b) 9,185 shares issuable pursuant to stock options granted to Ms. Lattmann that are exercisable or become exercisable within 60 days; (c) 11,392 shares of restricted stock; and (d) 3,007 shares underlying PSUs that are expected to vest within 60 days.
- (12) The shares shown as being owned by Mr. Fiorilli include: (a) 67,300 shares owned by Mr. Fiorilli individually; (b) 160,907 shares issuable pursuant to stock options granted to Mr. Fiorilli that are exercisable or become exercisable within 60 days; (c) 47,916 shares of restricted stock; and (d) 5,213 shares underlying PSUs that are expected to vest within 60 days.

## Section 16(a) Beneficial Ownership Reporting Compliance

The members of our Board of Directors, our executive officers and persons who hold more than 10% of our outstanding common stock are subject to the reporting requirements of Section 16(a) of the Exchange Act, which requires them to file reports with respect to their ownership of our common stock and their transactions in such common stock. Based solely upon a review of the copies of Section 16(a) reports that we have received from such persons or entities for transactions in our common stock and their common stock holdings for fiscal 2015, we believe that all reporting requirements under Section 16(a) for such fiscal year were met in a timely manner by our directors and executive officers.



## OTHER MATTERS

### Certain Relationships and Related Transactions

---

The Company's Audit Committee reviews and, if appropriate, approves transactions brought to the Committee's attention in which the Company is a participant and the amount involved exceeds \$120,000, and in which, in general, beneficial owners of more than 5% of the Company's common stock, the Company's directors, nominees for director, executive officers, and members of their respective immediate families, have a direct or indirect material interest. The Committee's responsibility with respect to the review and approval of these transactions is set forth in the Audit Committee's charter.

Martin Eisenberg is the Company's Regional Vice President for the Northeast Region, with responsibilities in areas that include store operations, merchandising, store design and product sourcing. For fiscal 2015, his salary was \$525,872 and he received other benefits consistent with his position and tenure, including a restricted stock award valued at \$150,000, and an automotive allowance and employer 401(k) match aggregating approximately \$12,000. He has been employed by the Company since 1977 and is the son of Warren Eisenberg, the Company's Co-Chairman.

A brother-in-law of Arthur Stark, the Company's President, earned in his capacity as a sales representative employed by Blue Ridge Home Fashions commissions (aggregating approximately \$284,000) on sales of merchandise in fiscal 2015 by Blue Ridge Home Fashions to the Company in the amount of approximately \$28.4 million. Additionally, a son-in-law of Mr. Stark is a managing member and has a minority equity interest in Colordrift LLC which had aggregate sales of merchandise to the Company of approximately \$3.2 million in fiscal 2015. Colordrift LLC had a pre-existing sales relationship with the Company at the time such managing member became Mr. Stark's son-in-law, which was during the Company's fiscal 2012 year.

### Householding

---

Unless we have received contrary instructions, we are mailing one copy of the proxy materials (other than the proxy card) to record holders who have the same address and last name. Such record holders will continue to receive separate proxy cards. We refer to this practice as householding.

If you are a record holder who participates in householding and wish to receive separate copies of the proxy materials for the 2016 Annual Meeting or future Annual Meetings, then please contact the Secretary of the Company by writing to 650 Liberty Avenue, Union, New Jersey 07083 or calling 908-688-0888. We will promptly deliver separate copies of the proxy materials for the 2016 Annual Meeting upon receiving your request.

If you are a record holder who is eligible for householding and do not currently participate in the program but would like to, then please contact the Secretary of the Company at the address or phone number indicated above.

If you are a beneficial owner, then please contact your stockbroker, bank or other holder of record to receive one or separate copies of the proxy materials.

### Next Year's Annual Meeting

---

Proposals which shareholders intend to be eligible for inclusion in next year's proxy statement under the SEC's proxy rules must be received by the Company no later than January 31, 2017. Such proposals can be sent to the Company at 650 Liberty Avenue, Union, New Jersey 07083, Attn: Warren Eisenberg, Co-Chairman and Secretary.

In addition, under the Company's Amended By-laws, any proposal for consideration at the 2017 Annual Meeting of Shareholders submitted by a shareholder other than pursuant to Rule 14a-8 will be considered timely if it is received by the Secretary of the Company at its principal executive offices at 650 Liberty Avenue, Union, New Jersey 07083 between the close of business on March 3, 2017 and the close of business on April 3, 2017, and is otherwise in compliance with the requirements set forth in the Company's Amended By-laws. If the date of the 2017 Annual Meeting of Shareholders is more than 30 days before or more than 60 days after the anniversary date of the 2016 Annual Meeting of Shareholders, notice must be received not earlier than the close of business on the 120th day prior to the 2017 Annual Meeting of Shareholders and not later than the close of business on the 90th day prior to the 2017 Annual Meeting of Shareholders, or if the first public announcement of the date of the 2017 Annual Meeting of Shareholders is less than 100 days prior to the date of the 2017 Annual Meeting of Shareholders, the 10th day following the date on which notice of the date of the meeting is given to shareholders or made public, whichever occurs first.

*2015 Annual Report*

**BED BATH &  
BEYOND<sup>®</sup>**





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

### OVERVIEW

Bed Bath & Beyond Inc. and subsidiaries (the "Company") is a retailer which operates under the names Bed Bath & Beyond ("BBB"), Christmas Tree Shops, Christmas Tree Shops andThat! or andThat! (collectively, "CTS"), Harmon or Harmon Face Values (collectively, "Harmon"), buybuy BABY ("Baby") and World Market, Cost Plus World Market and Cost Plus (collectively, "Cost Plus World Market"). Customers can purchase products from the Company either in-store, online, with a mobile device or through a contact center. The Company generally has the ability to have customer purchases picked up in-store or shipped direct to the customer from the Company's distribution facilities, stores or vendors. In the second quarter of fiscal 2015, the Company acquired Of a Kind, an e-commerce website that features specially commissioned, limited edition items from emerging fashion and home designers. The Company also operates Linen Holdings, a provider of a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, healthcare and other industries. Additionally, the Company is a partner in a joint venture which operates seven retail stores in Mexico under the name Bed Bath & Beyond.

The Company accounts for its operations as two operating segments: North American Retail and Institutional Sales. The Institutional Sales operating segment, which is comprised of Linen Holdings, does not meet the quantitative thresholds under U.S. generally accepted accounting principles and therefore is not a reportable segment.

The Company sells a wide assortment of domestics merchandise and home furnishings. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings, consumables and certain juvenile products.

The Company's strategy is centered on its customer-centric culture and its commitment to customer service:

- To do more for and with its customers wherever, whenever and however they wish to interact with the Company.
- To provide its customers a seamless experience whether they interact with the Company in a store, through one of its contact centers, on a desktop, tablet, smartphone or through social media.
- To be viewed as the expert for the home, including the accompanying life stages that make a house a home, and to become the destination for customers' needs and wants as they express their life interests and travel through their life stages, all through the expanding and differentiated products, services and solutions the Company offers.

The Company's objective is to be its customers' first choice for products and services in the categories offered, in the markets, channels and countries in which the Company operates, as those customers express their life interests and travel through their various life stages. The Company strives to accomplish this objective through excellent customer service, including new products, services and solutions, and by offering an extensive breadth and depth of differentiated merchandise at the right value. The Company is also enhancing its ability to achieve this objective through its ongoing commitment to world class information and interactive technology, comprehensive analytics and targeted marketing and communications.

Operating in the highly competitive retail industry, the Company, along with other retail companies, is influenced by a number of factors including, but not limited to, general economic conditions including the housing market, unemployment levels and commodity prices; the overall macroeconomic environment and related changes in the retailing environment; consumer preferences, spending habits and adoption of new technologies; unusual weather patterns and natural disasters; competition from existing and potential competitors across all channels of

distribution; potential supply chain disruption; and the ability to find suitable locations at acceptable occupancy costs and other terms to support the Company's plans for new stores. The Company cannot predict whether, when or the manner in which these factors could affect the Company's operating results.

The results of operations for the fiscal year ended February 27, 2016 include Of a Kind since the date of acquisition in the second quarter of fiscal 2015.

The following represents an overview of the Company's financial performance for the periods indicated:

- Net sales in fiscal 2015 increased approximately 1.9% to \$12.104 billion; net sales in fiscal 2014 increased approximately 3.3% to \$11.881 billion over net sales of \$11.504 billion in fiscal 2013. On a constant currency basis, which is a non-GAAP measure, net sales increased approximately 2.3%, as compared with fiscal 2014. Net sales and comparable sales of the Company's foreign operations are calculated on a constant currency basis by translating the current year's respective sales of its foreign operations at the same exchange rates used in the prior year. The non-GAAP measure of net sales on a constant currency basis is intended to provide visibility into the Company's operations by excluding the effects of foreign currency exchange rate fluctuations.
- Comparable sales in fiscal 2015 increased by approximately 1.0%, as compared with an increase of approximately 2.4% for both fiscal 2014 and fiscal 2013. On a constant currency basis, comparable sales for fiscal 2015 increased by 1.4%. For fiscal 2015, comparable sales consummated through customer facing online websites and mobile applications increased in excess of 25% over the corresponding period in the prior year, while comparable sales consummated in-store declined approximately 1% over the corresponding period in the prior year. For fiscal 2014, comparable sales consummated through customer facing online websites and mobile applications increased in excess of 50%, over the corresponding period in the prior year, while comparable sales consummated in-store were relatively flat to the corresponding period in the prior year.

Comparable sales include sales consummated through all retail channels which have been operating for twelve full months following the opening period (typically four to six weeks). The Company is an omnichannel retailer with capabilities that allow a customer to use more than one channel when making a purchase, including in-store, online, with a mobile device or through a contact center, and have it fulfilled, in most cases, either through in-store customer pickup or by direct shipment to the customer from one of the Company's distribution facilities, stores or vendors.

Sales consummated on a mobile device while physically in a store location are recorded as customer facing online websites and mobile applications sales. Customer orders reserved online and picked up in a store are recorded as in-store sales. In-store sales are reduced by sales originally consummated from customer facing online websites and mobile applications and subsequently returned in-store.

Stores relocated or expanded are excluded from comparable sales if the change in square footage would cause meaningful disparity in sales over the prior period. In the case of a store to be closed, such store's sales are not considered comparable once the store closing process has commenced. Of a Kind is excluded from the comparable sales calculation for fiscal 2015, and will continue to be excluded until after the anniversary of the acquisition. Cost Plus World Market was excluded from the comparable sales calculation through the end of the fiscal first half of 2013, and is included beginning with the fiscal third quarter of 2013. Linen Holdings is excluded from the comparable sales calculations and will continue to be excluded on an ongoing basis as it represents non-retail activity.

- Gross profit for fiscal 2015 and fiscal 2014 was \$4.620 billion; fiscal 2015 gross profit was 38.2% of net sales compared with 38.9% of net sales for fiscal 2014. Gross profit for fiscal 2013 was \$4.566 billion or 39.7% of net sales.
- Selling, general and administrative expenses ("SG&A") for fiscal 2015 were \$3.205 billion or 26.5% of net sales compared with \$3.065 billion or 25.8% of net sales for fiscal 2014 and \$2.951 billion or 25.7% of net sales for fiscal 2013.

- Interest expense was \$87.5 million, \$50.5 million and \$1.1 million in fiscal 2015, 2014 and 2013, respectively.
- The effective tax rate was 36.6%, 36.3% and 36.6% for fiscal years 2015, 2014 and 2013, respectively. The tax rate included discrete tax items resulting in net benefits of approximately \$14.8 million, \$20.0 million and \$20.0 million, respectively, for fiscal 2015, 2014 and 2013.
- For the fiscal year ended February 27, 2016, net earnings per diluted share were \$5.10 (\$841.5 million), an increase of approximately 1%, as compared with net earnings per diluted share of \$5.07 (\$957.5 million) for fiscal 2014, which was an increase of approximately 6% from net earnings per diluted share of \$4.79 (\$1.022 billion) for fiscal 2013. For the fiscal years ended February 27, 2016 and February 28, 2015, the increases in net earnings per diluted share are the result of the impact of the Company's repurchases of its common stock, partially offset by the decrease in net earnings as a result of the items described above. Included in net earnings for the fiscal years ended February 27, 2016 and February 28, 2015, respectively, are net benefits of approximately \$0.06 per diluted share for certain non-recurring items, including a favorable state audit settlement and approximately \$0.04 per diluted share for certain non-recurring items, including a credit card fee litigation settlement.

Capital expenditures for fiscal 2015, 2014 and 2013 were \$328.4 million, \$330.6 million and \$320.8 million, respectively. A significant portion of the current year capital expenditures were for technology related projects with the remaining portion for new stores, existing store improvements, the new customer contact center in Layton, Utah, the new distribution facility in Las Vegas, Nevada and other projects. The Company continues to review and prioritize its capital needs and remains committed to making the required investments in its infrastructure to help position the Company for continued growth and success.

Several additional key initiatives include: continuing to add new functionality and assortment to its selling websites, mobile sites and applications; improving customer data integration and customer relations management capabilities; continuing to enhance service offerings to its customers; continuing to strengthen and deepen its information technology, analytics, marketing and e-commerce groups; and creating more flexible fulfillment options that will improve the Company's delivery capabilities and lower the Company's shipping costs. These and other investments are expected to, among other things, provide a seamless and compelling customer experience across the Company's physical and digital shopping environments.

During fiscal 2015, the Company opened a total of 29 new stores, closed 12 stores and opened a new customer contact center in Layton, Utah and a new distribution facility in Las Vegas, Nevada. The Company plans to continue to actively manage its real estate portfolio in order to permit store sizes, layouts, locations and offerings to evolve over time to optimize market profitability and will renovate or reposition stores within markets when appropriate. In fiscal 2016, the Company expects to open approximately 30 new stores company-wide, most of which are planned for new markets, close approximately 15 stores and open a new distribution facility. Additionally, during fiscal 2016, the Company expects to continue to invest in technology related projects, including the deployment of new systems and equipment in its stores, enhancements to the Company's digital, web and mobile capabilities, ongoing investment in data analytics and the continued development and deployment of a new point of sale system.

During fiscal 2015, 2014 and 2013, including the shares repurchased under an accelerated share repurchase agreement in fiscal 2014, the Company repurchased 18.4 million, 33.0 million and 18.3 million shares, respectively, of its common stock at a total cost of approximately \$1.101 billion, \$2.251 billion and \$1.284 billion, respectively.

Subsequent to the end of fiscal 2015, on April 6, 2016, the Company's Board of Directors authorized a quarterly dividend program, and declared an initial quarterly dividend of \$.125 per share to be paid on July 19, 2016 to shareholders of record as of June 17, 2016. The Company expects to pay quarterly cash dividends on its common

stock, in the future, subject to the determination by the Board of Directors based on an evaluation of the Company's earnings, financial condition and requirements, business conditions and other factors.

In addition to the quarterly dividend program, the Company's share repurchase program may be influenced by several factors, including business and market conditions. In addition, the Company reviews its alternatives with respect to its capital structure on an ongoing basis.

## RESULTS OF OPERATIONS

The following table sets forth for the periods indicated (i) selected statement of earnings data of the Company expressed as a percentage of net sales and (ii) the percentage change in dollar amounts from the prior year in selected statement of earnings data:

	Fiscal Year Ended				
	Percentage of Net Sales			Percentage Change from Prior Year	
	February 27, 2016	February 28, 2015	March 1, 2014	February 27, 2016	February 28, 2015
Net sales	100.0%	100.0%	100.0%	1.9%	3.3%
Cost of sales	61.8	61.1	60.3	3.1	4.7
Gross profit	38.2	38.9	39.7	0.0	1.2
Selling, general and administrative expenses	26.5	25.8	25.7	4.6	3.9
Operating profit	11.7	13.1	14.0	(9.0)	(3.7)
Interest expense, net	0.7	0.4	0.0	73.3	4,326.1
Earnings before provision for income taxes	11.0	12.7	14.0	(11.7)	(6.8)
Provision for income taxes	4.0	4.6	5.1	(11.1)	(7.6)
Net earnings	7.0	8.1	8.9	(12.1)	(6.3)

### *Net Sales*

Net sales in fiscal 2015 increased \$222.7 million to \$12.104 billion, representing an increase of 1.9% over \$11.881 billion of net sales in fiscal 2014, which increased \$377.2 million or 3.3% over the \$11.504 billion of net sales in fiscal 2013. On a constant currency basis, which is a non-GAAP measure, net sales for fiscal 2015 increased approximately 2.3%. Net sales and comparable sales of the Company's foreign operations are calculated on a constant currency basis by translating the current year's respective sales of its foreign operations at the same exchange rates used in the prior year. The non-GAAP measure of net sales on a constant currency basis is intended to provide visibility into the Company's operations by excluding the effects of foreign currency exchange rate fluctuations. For fiscal 2015, approximately 55% of the increase was attributable to an increase in comparable sales and the remainder was primarily attributable to an increase in the Company's new store sales and Linen Holdings. For fiscal 2014, approximately 71% of the increase was attributable to an increase in comparable sales and the remainder was primarily attributable to an increase in the Company's new store sales.

The increase in comparable sales for fiscal 2015 and fiscal 2014 was approximately 1.0% and 2.4%, respectively. The increase in comparable sales for fiscal 2015 was due to an increase in the average transaction amount, offset by a slight decrease in the number of transactions. The increase in comparable sales for fiscal 2014 was due to increases in both the average transaction amount and the number of transactions. On a constant currency basis, comparable sales for fiscal 2015 increased approximately 1.4%.

The Company's comparable sales metric considers sales consummated through all retail channels – in-store, online, with a mobile device or through a contact center. Customers today may take advantage of the Company's omnichannel environment by using more than one channel when making a purchase. The Company believes an integrated experience must exist among these channels to provide a seamless customer experience. A few

examples are: a customer may be assisted by an in-store associate to create a wedding or baby registry, while the guests may ultimately purchase a gift from the Company's websites; or, a customer may research a particular item, and read other customer reviews on the Company's websites before visiting a store to consummate the actual purchase; or a customer may reserve an item online for in-store pick up; or while in a store, a customer may make the purchase on a mobile device for in home delivery from either a distribution facility, a store or directly from a vendor. In addition, the Company accepts returns in-store without regard to the channel in which the purchase was consummated, therefore resulting in reducing store sales by sales originally consummated through customer facing online websites and mobile applications. As the Company's retail operations are integrated and it cannot reasonably track the channel in which the ultimate sale is initiated, the Company can however provide directional information on where the sale was consummated.

For fiscal 2015, comparable sales consummated through customer facing online websites and mobile applications increased in excess of 25% over the corresponding period in the prior year, while comparable sales consummated in-store declined approximately 1% over the corresponding period in the prior year. For fiscal 2014, comparable sales consummated through customer facing online websites and mobile applications increased in excess of 50%, over the corresponding period in the prior year, while comparable sales consummated in-store were relatively flat to the corresponding period in the prior year.

Comparable sales represented \$11.723 billion, \$11.517 billion and \$10.661 billion of net sales for fiscal 2015, 2014 and 2013, respectively.

Sales of domestics merchandise accounted for approximately 35.9%, 35.9% and 36.1% of net sales in fiscal 2015, 2014 and 2013, respectively, of which the Company estimates that bed linens accounted for approximately 12% of net sales in fiscal 2015, fiscal 2014 and fiscal 2013, respectively. The remaining net sales in fiscal 2015, 2014 and 2013 of 64.1%, 64.1% and 63.9%, respectively, represented sales of home furnishings. No other individual product category accounted for 10% or more of net sales during fiscal 2015, 2014 or 2013.

#### *Gross Profit*

Gross profit in fiscal 2015, 2014 and 2013 was \$4.620 billion or 38.2% of net sales, \$4.620 billion or 38.9% of net sales and \$4.566 billion or 39.7% of net sales, respectively. The decrease in the gross profit margin as a percentage of net sales between fiscal 2015 and 2014 was primarily attributed to a decrease in merchandise margin. Also contributing were increases in coupon expense, resulting from an increase in redemptions and a slight increase in the average coupon amount, and net direct to customer shipping expense. The decrease in the gross profit margin as a percentage of net sales between fiscal 2014 and 2013 was primarily attributed to an increase in coupon expense resulting from an increase in redemptions, partially offset by a slight decrease in the average coupon amount, and an increase in net direct to customer shipping expense, which was impacted by a reduction in the bedbathandbeyond.com free shipping threshold. The one year anniversary of the bedbathandbeyond.com free shipping threshold occurred in February 2015.

#### *Selling, General and Administrative Expenses*

SG&A was \$3.205 billion or 26.5% of net sales in fiscal 2015, \$3.065 billion or 25.8% of net sales in fiscal 2014 and \$2.951 billion or 25.7% of net sales in fiscal 2013. The percentage of net sales increase in SG&A between fiscal 2015 and 2014 was primarily due to, in order of magnitude, increased technology expenses and related depreciation and increased advertising expenses, due in part to the growth in digital advertising. The percentage of net sales increase in SG&A between fiscal 2014 and 2013 was primarily due to increased technology expenses and related depreciation and increased advertising expenses, partially offset by relative decreases in payroll and payroll related items (including salaries), occupancy expenses (including rent) and the year over year net benefits of certain non-recurring items, primarily relating to credit card fee litigation in the fiscal third quarter of 2014. The increase in technology expenses and related depreciation, as a percentage of net sales, represented approximately 30 basis points for fiscal 2014 as compared to the same period in the prior year.

### *Operating Profit*

Operating profit for fiscal 2015 was \$1.415 billion or 11.7% of net sales, \$1.554 billion or 13.1% of net sales in fiscal 2014 and \$1.615 billion or 14.0% of net sales in fiscal 2013. The changes in operating profit as a percentage of net sales between fiscal 2015 and 2014 and between fiscal 2014 and 2013 were the result of the changes in gross profit margin and SG&A as a percentage of net sales as described above.

The Company believes operating margin compression is likely to continue in fiscal 2016 as a result of several items, including increases in, as a percentage of net sales, coupon expense, net direct to customer shipping expense, additional payroll start-up costs associated with the opening of the Company's Lewisville, Texas distribution facility, investments in compensation and benefits, and technology-related expenses, including depreciation related to the Company's ongoing investments. In addition, the year-over-year comparison of operating margin will be impacted by the non-recurring benefit relating to the state audit settlement which occurred in fiscal 2015.

### *Interest Expense, net*

Interest expense, net was \$87.5 million, \$50.5 million and \$1.1 million in fiscal 2015, 2014 and 2013, respectively. For fiscal 2015 and fiscal 2014, interest expense, net primarily related to interest on the senior unsecured notes issued in July 2014.

### *Income Taxes*

The effective tax rate was 36.6% for fiscal 2015, 36.3% for fiscal 2014 and 36.6% for fiscal 2013. For fiscal 2015 and fiscal 2013, the tax rate included net benefits of approximately \$14.8 million and \$20.0 million, respectively, primarily due to the recognition of favorable discrete state tax items. For fiscal 2014, the tax rate included net benefits of approximately \$20.0 million, primarily due to the recognition of favorable discrete federal and state tax items.

Potential volatility in the effective tax rate from year to year may occur as the Company is required each year to determine whether new information changes the assessment of both the probability that a tax position will effectively be sustained and the appropriateness of the amount of recognized benefit.

## GROWTH

The Company strives to do more for and with its customers by: offering an extensive breadth and depth of differentiated assortment of merchandise at the right value; presenting merchandise in a distinctive manner designed to maximize customer convenience and reinforce customer perception of a wide selection; and providing excellent customer service, including new products, services and solutions. The Company is pursuing its growth objectives by investing in its omnichannel capabilities, optimizing its store operations and market coverage, including international expansion; leveraging its combined expertise and product knowledge to provide products and services to hospitality, travel and other institutional customers; and continuously reviewing opportunities for strategic acquisitions.

The Company continues to expand, differentiate and leverage its merchandise assortment across all channels, concepts and countries in which it operates, to better engage with its customers wherever, whenever and however they express their life interests and travel through their life stages. Through its growing analytic capabilities and omnichannel marketing approaches, the Company strives to more efficiently and effectively understand and satisfy its customers' needs.

As of February 27, 2016, the Company operated 1,530 stores plus its various websites, other interactive platforms and distribution facilities. The Company's 1,530 stores operate in all 50 states, the District of



Columbia, Puerto Rico and Canada, including: 1,020 BBB stores, 276 Cost Plus World Market stores, 105 Baby stores, 78 CTS stores and 51 Harmon stores. During fiscal 2015, the Company opened a total of 29 new stores, closed 12 stores and opened a new customer contact center in Layton, Utah and a new distribution facility in Las Vegas, Nevada. At the end of fiscal 2015, Company-wide total store square footage, net of openings and closings, for all of its concepts, was approximately 43.3 million square feet. The Company has distribution facilities totaling 6.1 million square feet. In addition, the Company has entered into a lease for a new distribution facility in Lewisville, Texas, which is planned to open in the fall of 2016, which will be approximately 800,000 square feet. The Company will continue to assess sites throughout the country in order to gain greater distribution efficiencies. The Company also operates websites at [bedbathandbeyond.com](http://bedbathandbeyond.com), [bedbathandbeyond.ca](http://bedbathandbeyond.ca), [christmastreeshops.com](http://christmastreeshops.com), [harmondiscout.com](http://harmondiscout.com), [buybuybaby.com](http://buybuybaby.com), [buybuybaby.ca](http://buybuybaby.ca), [worldmarket.com](http://worldmarket.com) and [ofakind.com](http://ofakind.com). Additionally, the Company is a partner in a joint venture which operated a total of seven stores as of February 27, 2016 in Mexico under the name Bed Bath & Beyond.

The Company plans to continue to expand its operations and invest in its infrastructure to reach its long-term objectives. In fiscal 2016, the Company expects company-wide to open approximately 30 new stores, most of which are planned for new markets, close approximately 15 stores and open a new distribution facility. Additionally, in connection with leveraging its merchandise offerings and optimizing its operations, the Company continues to expand, across selected stores, the number of specialty departments such as health and beauty care, baby, specialty food, and beverage. Also, the Company is committed to the continued growth of its merchandise categories and channels and is growing the number of items it is able to have shipped directly to customers from a vendor. The continued growth of the Company is dependent, in part, upon the Company's ability to execute these and other key initiatives successfully.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company has been able to finance its operations, including its growth, through internally generated funds. For fiscal 2016, the Company believes that it can continue to finance its operations, including its growth, share repurchases, cash dividends, planned capital expenditures and debt service obligations, through existing and internally generated funds. In addition, if necessary, the Company could borrow under its revolving credit facility. Capital expenditures for fiscal 2016 are planned to be approximately \$400 million to \$425 million, with a significant portion for information technology enhancements, which includes enhancements to the Company's digital, web and mobile capabilities, the continued deployment of new systems and equipment to the stores and other projects, and the remainder of the spend would be for the new distribution facility, new stores, existing store improvements, and other projects. These planned capital expenditures are subject to the timing and composition of the projects. In addition, the Company reviews its alternatives with respect to its capital structure on an ongoing basis.

#### *Fiscal 2015 compared to Fiscal 2014*

Net cash provided by operating activities in fiscal 2015 was \$1.012 billion, compared with \$1.178 billion in fiscal 2014. Year over year, the Company experienced an increase in cash used by the net components of working capital (primarily accounts payable and other current assets, partially offset by merchandise inventories) offset by a slight increase in net earnings, as adjusted for non-cash expenses (primarily deferred income taxes and depreciation).

Retail inventory, which includes inventory in the Company's distribution facilities for direct to customer shipments, was approximately \$2.8 billion, an increase of approximately 3.6% compared to retail inventory at February 28, 2015. The Company's distribution facilities include the Company's newest Las Vegas, Nevada distribution facility which opened during fiscal 2015.

Net cash used in investing activities in fiscal 2015 was \$275.6 million, compared to net cash provided by investing activities of \$48.8 million in fiscal 2014. In fiscal 2015, net cash used in investing activities was

primarily due to \$328.4 million of capital expenditures, partially offset by \$52.8 million of redemptions of investment securities, net of purchases. In fiscal 2014, net cash provided by investing activities was primarily due to \$379.4 million of redemptions of investment securities, net of purchases, partially offset by \$330.6 million of capital expenditures.

Net cash used in financing activities for fiscal 2015 was \$1.089 billion, compared with \$704.9 million in fiscal 2014. In fiscal 2015, the net cash used in financing activities was primarily due to \$1.101 billion of common stock repurchases. For fiscal 2014, net cash used in financing activities was primarily due to \$2.251 billion of common stock repurchases, partially offset by \$1.5 billion of proceeds from the issuance of senior unsecured notes.

#### *Fiscal 2014 compared to Fiscal 2013*

Net cash provided by operating activities in fiscal 2014 was \$1.178 billion, compared with \$1.382 billion in fiscal 2013. Year over year, the Company experienced an increase in cash used by the net components of working capital (primarily accounts payable and merchandise inventories, partially offset by other current assets and accrued expenses and other current liabilities) and a decrease in net earnings, as adjusted for non-cash expenses (primarily deferred income taxes and depreciation).

Retail inventory at cost per square foot was \$62.58 as of February 28, 2015, as compared to \$59.68 as of March 1, 2014.

Net cash provided by investing activities in fiscal 2014 was \$48.8 million, compared with net cash used in investing activities of \$363.4 million in fiscal 2013. In fiscal 2014, net cash provided by investing activities was primarily due to \$379.4 million of redemptions of investment securities, net of purchases, partially offset by \$330.6 million of capital expenditures. In fiscal 2013, net cash used in investing activities was primarily due to \$320.8 million of capital expenditures and \$39.1 million of purchases of investment securities, net of redemptions.

Net cash used in financing activities for fiscal 2014 was \$704.9 million, compared with \$1.210 billion in fiscal 2013. The decrease in net cash used was primarily due to proceeds from the issuance of the senior unsecured notes of \$1.5 billion, partially offset by an increase in common stock repurchases of \$966.6 million, which includes the shares repurchased under an accelerated share repurchase agreement.

#### *Other Fiscal 2015 Information*

At February 27, 2016, the Company maintained two uncommitted lines of credit of \$100 million each, with expiration dates of August 31, 2016 and February 26, 2017, respectively. These uncommitted lines of credit are currently and are expected to be used for letters of credit in the ordinary course of business. During fiscal 2015, the Company did not have any direct borrowings under the uncommitted lines of credit. As of February 27, 2016, there was approximately \$9.5 million of outstanding letters of credit. Although no assurances can be provided, the Company intends to renew both uncommitted lines of credit before the respective expiration dates. In addition, as of February 27, 2016, the Company maintained unsecured standby letters of credit of \$51.2 million, primarily for certain insurance programs.

The Company has authorization to make repurchases from time to time in the open market or through other parameters approved by the Board of Directors pursuant to existing rules and regulations.

Between December 2004 and September 2015, the Company's Board of Directors authorized, through several share repurchase programs, the repurchase of \$11.950 billion of the Company's common stock. Since 2004 through the end of fiscal 2015, the Company has repurchased approximately \$9.7 billion of its common stock through share repurchase programs. The Company has approximately \$2.3 billion remaining of authorized share



repurchases as of February 27, 2016. The Company's share repurchase program could change, and would be influenced by several factors, including business and market conditions.

Subsequent to the end of fiscal 2015, on April 6, 2016, the Company's Board of Directors authorized a quarterly dividend program, and declared an initial quarterly dividend of \$.125 per share to be paid on July 19, 2016 to shareholders of record as of June 17, 2016. The Company expects to pay quarterly cash dividends on its common stock, in the future, subject to the determination by the Board of Directors based on an evaluation of the Company's earnings, financial condition and requirements, business conditions and other factors.

The Company has contractual obligations consisting mainly of principal and interest related to the Notes, operating leases for stores, offices, distribution facilities and equipment, purchase obligations, long-term sale/leaseback and capital lease obligations and other long-term liabilities which the Company is obligated to pay as of February 27, 2016 as follows:

<i>(in thousands)</i>	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>4-5 years</u>	<u>After 5 years</u>
Senior unsecured notes (1)	\$1,500,000	\$ —	\$ —	\$ —	\$1,500,000
Interest on senior unsecured notes (1)	1,693,205	72,477	144,954	144,954	1,330,820
Operating lease obligations (2)	3,284,725	585,118	1,011,305	732,659	955,643
Purchase obligations (3)	1,137,597	1,137,597	—	—	—
Long-term sale/leaseback and capital lease obligations (4)	326,674	10,366	20,896	21,176	274,236
Other long-term liabilities (5)	462,901	—	—	—	—
Total Contractual Obligations	<u>\$8,405,102</u>	<u>\$1,805,558</u>	<u>\$1,177,155</u>	<u>\$898,789</u>	<u>\$4,060,699</u>

- (1) On July 17, 2014, the Company issued \$300 million aggregate principal amount of 3.749% senior unsecured notes due August 1, 2024, \$300 million aggregate principal amount of 4.915% senior unsecured notes due August 1, 2034 and \$900 million aggregate principal amount of 5.165% senior unsecured notes due August 1, 2044.
- (2) The amounts presented represent the future minimum lease payments under non-cancelable operating leases. In addition to minimum rent, certain of the Company's leases require the payment of additional costs for insurance, maintenance and other costs. These additional amounts are not included in the table of contractual commitments as the timing and/or amounts of such payments are not known. As of February 27, 2016, the Company has leased sites for 41 new or relocated locations planned for opening in fiscal 2016, 2017 or 2018, for which aggregate minimum rental payments over the term of the leases are approximately \$312.2 million and are included in the table above.
- (3) Purchase obligations primarily consist of purchase orders for merchandise.
- (4) Long-term sale/leaseback and capital lease obligations represent future minimum lease payments under the sale/leaseback agreements and capital lease agreements.
- (5) Other long-term liabilities are primarily comprised of income taxes payable, deferred rent, workers' compensation and general liability reserves and various other accruals and are recorded as Deferred Rent and Other Liabilities and Income Taxes Payable in the Consolidated Balance Sheet as of February 27, 2016. The amounts associated with these other long-term liabilities have been reflected only in the Total Column in the table above as the timing and / or amount of any cash payment is uncertain.

## SEASONALITY

The Company's sales exhibit seasonality with sales levels generally higher in the calendar months of August, November and December, and generally lower in February.

## INFLATION

The Company does not believe that its operating results have been materially affected by inflation during the past year. There can be no assurance; however, that the Company's operating results will not be affected by inflation in the future.

## CRITICAL ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires the Company to establish accounting policies and to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on other assumptions that it believes to be relevant under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. In particular, judgment is used in areas such as inventory valuation, impairment of long-lived assets, goodwill and other indefinite lived intangible assets, accruals for self insurance, litigation, store opening, expansion, relocation and closing costs, stock-based compensation and income and certain other taxes. Actual results could differ from these estimates.

*Inventory Valuation:* Merchandise inventories are stated at the lower of cost or market. Inventory costs are primarily calculated using the weighted average retail inventory method.

Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail values of inventories. The cost associated with determining the cost-to-retail ratio includes: merchandise purchases, net of returns to vendors, discounts and volume and incentive rebates; inbound freight expenses; duty, insurance and commissions.

At any one time, inventories include items that have been written down to the Company's best estimate of their realizable value. Judgment is required in estimating realizable value and factors considered are the age of merchandise and anticipated demand. Actual realizable value could differ materially from this estimate based upon future customer demand or economic conditions.

The Company estimates its reserve for shrinkage throughout the year based on historical shrinkage and any current trends, if applicable. Actual shrinkage is recorded at year end based upon the results of the Company's physical inventory counts for locations at which counts were conducted. For locations where physical inventory counts were not conducted in the fiscal year, an estimated shrink reserve is recorded based on historical shrinkage and any current trends, if applicable. Historically, the Company's shrinkage has not been volatile.

The Company accrues for merchandise in transit once it takes legal ownership and title to the merchandise; as such, an estimate for merchandise in transit is included in the Company's merchandise inventories.

*Impairment of Long-Lived Assets:* The Company reviews long-lived assets for impairment when events or changes in circumstances indicate the carrying value of these assets may exceed their current fair values. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the assets. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. The Company has not historically recorded any material impairment to its long-lived assets. In the future, if events or market conditions

affect the estimated fair value to the extent that a long-lived asset is impaired, the Company will adjust the carrying value of these long-lived assets in the period in which the impairment occurs.

*Goodwill and Other Indefinite Lived Intangible Assets:* The Company reviews goodwill and other intangibles that have indefinite lives for impairment annually or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. Impairment testing is based upon the best information available including estimates of fair value which incorporate assumptions marketplace participants would use in making their estimates of fair value. The Company has not historically recorded an impairment to its goodwill and other indefinite lived intangible assets. As of February 27, 2016, for goodwill related to the North American Retail operating segment and the Institutional Sales operating segment and certain other indefinite lived intangible assets, the Company assessed qualitative factors in order to determine whether any events and circumstances existed which indicated that it was more likely than not that the fair value of these indefinite lived intangible assets did not exceed its carrying value and concluded no such events or circumstances existed which would require an impairment test being performed. In the future, if events or market conditions affect the estimated fair value to the extent that an asset is impaired, the Company will adjust the carrying value of these assets in the period in which the impairment occurs.

*Self Insurance:* The Company utilizes a combination of insurance and self insurance for a number of risks including workers' compensation, general liability, automobile liability and employee related health care benefits (a portion of which is paid by its employees). Liabilities associated with the risks that the Company retains are estimated by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions. Although the Company's claims experience has not displayed substantial volatility in the past, actual experience could materially vary from its historical experience in the future. Factors that affect these estimates include but are not limited to: inflation, the number and severity of claims and regulatory changes. In the future, if the Company concludes an adjustment to self insurance accruals is required, the liability will be adjusted accordingly.

*Litigation:* The Company records an estimated liability related to its various claims and legal actions arising in the ordinary course of business when and to the extent that it concludes a liability is probable and the amount of the loss can be reasonably estimated. Such estimated loss is based on available information and advice from outside counsel, where appropriate. As additional information becomes available, the Company reassesses the potential liability related to claims and legal actions and revises its estimated liabilities, as appropriate. The Company expects the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. The Company also cannot predict the nature and validity of claims which could be asserted in the future, and future claims could have a material impact on its earnings.

*Store Opening, Expansion, Relocation and Closing Costs:* Store opening, expansion, relocation and closing costs, including markdowns, asset residual values and projected occupancy costs, are charged to earnings as incurred.

*Stock-Based Compensation:* The Company uses a Black-Scholes option-pricing model to determine the fair value of its stock options. The Black-Scholes model includes various assumptions, including the expected life of stock options, the expected risk free interest rate and the expected volatility. These assumptions reflect the Company's best estimates, but they involve inherent uncertainties based on market conditions generally outside the control of the Company. As a result, if other assumptions had been used, total stock-based compensation cost could have been materially impacted. Furthermore, if the Company uses different assumptions for future grants, stock-based compensation cost could be materially impacted in future periods.

The Company determines its assumptions for the Black-Scholes option-pricing model in accordance with the accounting guidance related to stock compensation.

- The expected life of stock options is estimated based on historical experience.

- The expected risk free interest rate is based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected life of the stock options.
- Expected volatility is based on the average of historical and implied volatility. The historical volatility is determined by observing actual prices of the Company's stock over a period commensurate with the expected life of the awards. The implied volatility represents the implied volatility of the Company's call options, which are actively traded on multiple exchanges, had remaining maturities in excess of twelve months, had market prices close to the exercise prices of the employee stock options and were measured on the stock option grant date.

The Company is required to record stock-based compensation expense net of estimated forfeitures. The Company's forfeiture rate assumption used in determining its stock-based compensation expense is estimated based on historical data. The actual forfeiture rate could differ from these estimates.

*Taxes:* The Company accounts for its income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

The Company intends to reinvest the unremitted earnings of its Canadian subsidiary. Accordingly, no provision has been made for U.S. or additional non-U.S. taxes with respect to these earnings. In the event of repatriation to the U.S., in most cases such earnings would be subject to U.S. income taxes.

The Company recognizes the tax benefit from an uncertain tax position only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the taxing authorities.

Potential volatility in the effective tax rate from year to year may occur as the Company is required each year to determine whether new information changes the assessment of both the probability that a tax position will effectively be sustained and the appropriateness of the amount of recognized benefit.

The Company also accrues for certain other taxes as required by their operations.

Judgment is required in determining the provision for income and other taxes and related accruals, deferred tax assets and liabilities. In the ordinary course of business, there are transactions and calculations where the ultimate tax outcome is uncertain. Additionally, the Company's various tax returns are subject to audit by various tax authorities. Although the Company believes that its estimates are reasonable, actual results could differ from these estimates.

## **FORWARD-LOOKING STATEMENTS**

This Annual Report, and in particular Management's Discussion and Analysis of Financial Condition and Results of Operations and the Shareholder Letter, contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company's actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include, without limitation: general economic conditions including the housing market, a challenging overall macroeconomic environment and related changes in the retailing environment; consumer preferences, spending habits and adoption of new technologies; demographics and other macroeconomic factors

that may impact the level of spending for the types of merchandise sold by the Company; civil disturbances and terrorist acts; unusual weather patterns and natural disasters; competition from existing and potential competitors across all channels of distribution; pricing pressures; liquidity; the ability to attract and retain qualified employees in all areas of the organization; the cost of labor, merchandise and other costs and expenses; potential supply chain disruption due to political instability, labor disturbances, product recalls, financial or operational instability of supplier or carriers, and other items; the ability to find suitable locations at acceptable occupancy costs and other terms to support the Company's plan for new stores; the ability to assess and implement technologies in support of the Company's development of its omnichannel capabilities; uncertainty in financial markets; disruptions to the Company's information technology systems including but not limited to security breaches of systems protecting consumer and employee information; reputational risk arising from challenges to the Company's or a third party supplier's compliance with various laws, regulations or standards, including those related to labor, health, safety, privacy or the environment; reputational risk arising from third-party merchandise or service vendor performance in direct home delivery or assembly of product for customers; changes to statutory, regulatory and legal requirements; new, or developments in existing, litigation, claims or assessments; changes to, or new, tax laws or interpretation of existing tax laws; changes to, or new, accounting standards; foreign currency exchange rate fluctuations; and the integration of acquired businesses. The Company does not undertake any obligation to update its forward-looking statements.

**BED BATH & BEYOND INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
*(in thousands, except per share data)*

	February 27, 2016	February 28, 2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 515,573	\$ 875,574
Short term investment securities	86,197	109,992
Merchandise inventories	2,848,119	2,731,881
Other current assets	376,073	366,156
Total current assets	3,825,962	4,083,603
Long term investment securities	71,289	97,160
Property and equipment, net	1,725,043	1,676,700
Goodwill	487,169	486,279
Other assets	389,477	415,251
Total assets	\$ 6,498,940	\$ 6,758,993
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,100,958	\$ 1,156,368
Accrued expenses and other current liabilities	409,445	403,547
Merchandise credit and gift card liabilities	297,930	306,160
Current income taxes payable	58,892	76,606
Total current liabilities	1,867,225	1,942,681
Deferred rent and other liabilities	499,368	493,137
Income taxes payable	72,807	79,985
Long term debt	1,500,000	1,500,000
Total liabilities	3,939,400	4,015,803
Commitments and contingencies		
Shareholders' equity:		
Preferred stock – \$0.01 par value; authorized – 1,000 shares; no shares issued or outstanding	—	—
Common stock – \$0.01 par value; authorized - 900,000 shares; issued 337,613 and 336,667 shares, respectively; outstanding 156,690 and 174,178 shares, respectively	3,377	3,367
Additional paid-in capital	1,884,813	1,796,692
Retained earnings	10,394,865	9,553,376
Treasury stock, at cost	(9,668,517)	(8,567,932)
Accumulated other comprehensive loss	(54,998)	(42,313)
Total shareholders' equity	2,559,540	2,743,190
Total liabilities and shareholders' equity	\$ 6,498,940	\$ 6,758,993

*See accompanying Notes to Consolidated Financial Statements.*

## Consolidated Statements of Earnings

*Bed Bath & Beyond Inc. and Subsidiaries*

	FISCAL YEAR ENDED		
	February 27, 2016	February 28, 2015	March 1, 2014
<i>(in thousands, except per share data)</i>			
Net sales	<b>\$12,103,887</b>	\$11,881,176	\$11,503,963
Cost of sales	<b>7,483,577</b>	7,261,397	6,938,381
Gross profit	<b>4,620,310</b>	4,619,779	4,565,582
Selling, general and administrative expenses	<b>3,205,407</b>	3,065,486	2,950,995
Operating profit	<b>1,414,903</b>	1,554,293	1,614,587
Interest expense, net	<b>87,458</b>	50,458	1,140
Earnings before provision for income taxes	<b>1,327,445</b>	1,503,835	1,613,447
Provision for income taxes	<b>485,956</b>	546,361	591,157
Net earnings	<b>\$ 841,489</b>	\$ 957,474	\$ 1,022,290
Net earnings per share – Basic	<b>\$ 5.15</b>	\$ 5.13	\$ 4.85
Net earnings per share – Diluted	<b>\$ 5.10</b>	\$ 5.07	\$ 4.79
Weighted average shares outstanding – Basic	<b>163,257</b>	186,659	210,710
Weighted average shares outstanding – Diluted	<b>165,016</b>	188,880	213,363

*See accompanying Notes to Consolidated Financial Statements.*



## Consolidated Statements of Comprehensive Income

*Bed Bath & Beyond Inc. and Subsidiaries*

<u>(in thousands)</u>	FISCAL YEAR ENDED		
	February 27, 2016	February 28, 2015	March 1, 2014
Net earnings	<b>\$841,489</b>	\$957,474	\$1,022,290
Other comprehensive (loss) income:			
Change in temporary valuation adjustment of auction rate securities, net of taxes	<b>1,584</b>	143	(792)
Pension adjustment, net of taxes	<b>(351)</b>	(5,552)	3,249
Currency translation adjustment	<b>(13,918)</b>	(23,057)	(11,984)
Other comprehensive loss	<b>(12,685)</b>	(28,466)	(9,527)
Comprehensive income	<b>\$828,804</b>	\$929,008	\$1,012,763

*See accompanying Notes to Consolidated Financial Statements.*

## Consolidated Statements of Shareholders' Equity

*Bed Bath & Beyond Inc. and Subsidiaries*

<i>(in thousands)</i>	Common Stock		Additional Paid- in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount		
Balance at March 2, 2013	332,696	\$3,327	\$1,540,451	\$ 7,573,612	(111,207)	\$(5,033,340)	\$ (4,320)	\$ 4,079,730
Net earnings				1,022,290				1,022,290
Other comprehensive loss							(9,527)	(9,527)
Shares sold under employee stock option plans, net of taxes	1,375	14	74,766					74,780
Issuance of restricted shares, net	868	9	(9)					—
Stock-based compensation expense, net			57,842					57,842
Director fees paid in stock	2		167					167
Repurchase of common stock, including fees					(18,329)	(1,283,995)		(1,283,995)
Balance at March 1, 2014	334,941	3,350	1,673,217	8,595,902	(129,536)	(6,317,335)	(13,847)	3,941,287
Net earnings				957,474				957,474
Other comprehensive loss							(28,466)	(28,466)
Shares sold under employee stock option plans, net of taxes	1,033	10	54,907					54,917
Issuance of restricted shares, net	691	7	(7)					—
Stock-based compensation expense, net			68,408					68,408
Director fees paid in stock	2		167					167
Repurchase of common stock, including fees					(32,953)	(2,250,597)		(2,250,597)
Balance at February 28, 2015	336,667	3,367	1,796,692	9,553,376	(162,489)	(8,567,932)	(42,313)	2,743,190
Net earnings				841,489				841,489
Other comprehensive loss							(12,685)	(12,685)
Shares sold under employee stock option plans, net of taxes	255	3	18,944					18,947
Issuance of restricted shares, net	590	6	(6)					—
Payment and vesting of performance stock units	98	1	(1)					—
Stock-based compensation expense, net			69,017					69,017
Director fees paid in stock	3		167					167
Repurchase of common stock, including fees					(18,434)	(1,100,585)		(1,100,585)
<b>Balance at February 27, 2016</b>	<b>337,613</b>	<b>\$3,377</b>	<b>\$1,884,813</b>	<b>\$10,394,865</b>	<b>(180,923)</b>	<b>\$(9,668,517)</b>	<b>\$(54,998)</b>	<b>\$ 2,559,540</b>

*See accompanying Notes to Consolidated Financial Statements.*

**Consolidated Statements of Cash Flows**  
*Bed Bath & Beyond Inc. and Subsidiaries*

<i>(in thousands)</i>	FISCAL YEAR ENDED		
	February 27, 2016	February 28, 2015	March 1, 2014
Cash Flows from Operating Activities:			
Net earnings	\$ 841,489	\$ 957,474	\$ 1,022,290
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	273,947	239,193	220,116
Stock-based compensation	66,965	66,539	56,244
Excess tax benefit from stock-based compensation	(10,370)	(14,561)	(19,126)
Deferred income taxes	56,997	(22,295)	11,729
Other	398	(2,244)	(1,784)
(Increase) decrease in assets:			
Merchandise inventories	(121,748)	(161,506)	(117,926)
Trading investment securities	(2,270)	(9,530)	(11,382)
Other current assets	(16,171)	19,012	(5,287)
Other assets	(27,904)	(254)	(3,812)
(Decrease) increase in liabilities:			
Accounts payable	(48,148)	44,563	179,522
Accrued expenses and other current liabilities	6,694	18,494	(1,336)
Merchandise credit and gift card liabilities	(7,872)	22,520	33,014
Income taxes payable	(15,036)	17,656	15,729
Deferred rent and other liabilities	15,213	3,428	3,735
Net cash provided by operating activities	<u>1,012,184</u>	<u>1,178,489</u>	<u>1,381,726</u>
Cash Flows from Investing Activities:			
Purchase of held-to-maturity investment securities	(103,017)	(298,094)	(1,156,634)
Redemption of held-to-maturity investment securities	126,875	677,500	1,117,500
Redemption of available-for-sale investment securities	28,905	—	—
Capital expenditures	(328,395)	(330,637)	(320,812)
Investment in unconsolidated joint venture	—	—	(3,436)
Net cash (used in) provided by investing activities	<u>(275,632)</u>	<u>48,769</u>	<u>(363,382)</u>
Cash Flows from Financing Activities:			
Proceeds from exercise of stock options	9,109	41,197	54,815
Proceeds from issuance of senior unsecured notes	—	1,500,000	—
Payment of deferred financing costs	—	(10,092)	—
Payment of other liabilities	(7,646)	—	—
Excess tax benefit from stock-based compensation	10,370	14,561	19,126
Repurchase of common stock, including fees	(1,100,585)	(2,250,597)	(1,283,995)
Net cash used in financing activities	<u>(1,088,752)</u>	<u>(704,931)</u>	<u>(1,210,054)</u>
Effect of exchange rate changes on cash and cash equivalents	(7,801)	(13,269)	(6,745)
Net (decrease) increase in cash and cash equivalents	<u>(360,001)</u>	<u>509,058</u>	<u>(198,455)</u>
Cash and cash equivalents:			
Beginning of period	875,574	366,516	564,971
End of period	<u>\$ 515,573</u>	<u>\$ 875,574</u>	<u>\$ 366,516</u>

*See accompanying Notes to Consolidated Financial Statements.*

## **Notes to Consolidated Financial Statements**

### *Bed Bath & Beyond Inc. and Subsidiaries*

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS**

##### **A. Nature of Operations**

Bed Bath & Beyond Inc. and subsidiaries (the “Company”) is a retailer which operates under the names Bed Bath & Beyond (“BBB”), Christmas Tree Shops, Christmas Tree Shops andThat! or andThat! (collectively, “CTS”), Harmon or Harmon Face Values (collectively, “Harmon”), buybuy BABY and World Market, Cost Plus World Market or Cost Plus (collectively, “Cost Plus World Market”). Customers can purchase products from the Company either in-store, online, with a mobile device or through a contact center. The Company generally has the ability to have customer purchases picked up in-store or shipped direct to the customer from the Company’s distribution facilities, stores or vendors. In the second quarter of fiscal 2015, the Company acquired Of a Kind, an e-commerce website that features specially commissioned, limited edition items from emerging fashion and home designers. The Company also operates Linen Holdings, a provider of a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, healthcare and other industries. Additionally, the Company is a partner in a joint venture which operates seven retail stores in Mexico under the name Bed Bath & Beyond.

The Company accounts for its operations as two operating segments: North American Retail and Institutional Sales. The Institutional Sales operating segment, which is comprised of Linen Holdings, does not meet the quantitative thresholds under U.S. generally accepted accounting principles and therefore is not a reportable segment. Net sales outside of the U.S. were not material for fiscal 2015, 2014 and 2013.

The Company sells a wide assortment of domestics merchandise and home furnishings. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings, consumables and certain juvenile products. Sales of domestics merchandise and home furnishings accounted for approximately 35.9% and 64.1% of net sales, respectively, for fiscal 2015 and fiscal 2014, and approximately 36.1% and 63.9% of net sales, respectively, for fiscal 2013. As the Company operates in the retail industry, its results of operations are affected by general economic conditions and consumer spending habits.

Since the date of acquisition, Of a Kind’s results of operations, which are not material, have been included in the Company’s results of operations for the fiscal year ended February 27, 2016.

##### **B. Fiscal Year**

The Company’s fiscal year is comprised of the 52 or 53 week period ending on the Saturday nearest February 28. Accordingly, fiscal 2015, fiscal 2014 and fiscal 2013 represented 52 weeks and ended on February 27, 2016, February 28, 2015 and March 1, 2014, respectively.

##### **C. Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company accounts for its investment in the joint venture under the equity method.

Certain reclassifications have been made to the fiscal 2014 and 2013 consolidated statements of cash flows to conform to the fiscal 2015 consolidated statement of cash flows presentation.

All significant intercompany balances and transactions have been eliminated in consolidation.

#### D. Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires the Company to establish accounting policies and to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on other assumptions that it believes to be relevant under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. In particular, judgment is used in areas such as inventory valuation, impairment of long-lived assets, impairment of auction rate securities, goodwill and other indefinite lived intangible assets, accruals for self insurance, litigation, store opening, expansion, relocation and closing costs, the provision for sales returns, vendor allowances, stock-based compensation and income and certain other taxes. Actual results could differ from these estimates.

#### E. Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. Included in cash and cash equivalents are credit and debit card receivables from banks, which typically settle within 5 business days, of \$89.4 million and \$90.3 million as of February 27, 2016 and February 28, 2015, respectively.

#### F. Investment Securities

Investment securities consist primarily of U.S. Treasury Bills with remaining maturities of less than one year and auction rate securities, which are securities with interest rates that reset periodically through an auction process. The U.S. Treasury Bills are classified as short term held-to-maturity securities and are stated at their amortized cost which approximates fair value. Auction rate securities are classified as available-for-sale and are stated at fair value, which had historically been consistent with cost or par value due to interest rates which reset periodically, typically every 7, 28 or 35 days. As a result, there generally were no cumulative gross unrealized holding gains or losses relating to these auction rate securities. However, beginning in mid-February 2008 due to market conditions, the auction process for the Company's auction rate securities failed and continues to fail. These failed auctions result in a lack of liquidity in the securities, and affect their estimated fair values at February 27, 2016 and February 28, 2015, but do not affect the underlying collateral of the securities. (See "Fair Value Measurements," Note 2 and "Investment Securities," Note 3). All income from these investments is recorded as interest income.

Those investment securities which the Company has the ability and intent to hold until maturity are classified as held-to-maturity investments and are stated at amortized cost. Those investment securities which are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are stated at fair market value.

Premiums are amortized and discounts are accreted over the life of the security as adjustments to interest income using the effective interest method. Dividend and interest income are recognized when earned.

#### G. Inventory Valuation

Merchandise inventories are stated at the lower of cost or market. Inventory costs are primarily calculated using the weighted average retail inventory method.

Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail values of inventories. The cost associated with determining the cost-to-retail ratio includes: merchandise purchases, net of returns to vendors, discounts and volume and incentive rebates; inbound freight expenses; duty, insurance and commissions.

At any one time, inventories include items that have been written down to the Company's best estimate of their realizable value. Judgment is required in estimating realizable value and factors considered are the age of merchandise and anticipated demand. Actual realizable value could differ materially from this estimate based upon future customer demand or economic conditions.

The Company estimates its reserve for shrinkage throughout the year based on historical shrinkage and any current trends, if applicable. Actual shrinkage is recorded at year end based upon the results of the Company's physical inventory counts for locations at which counts were conducted. For locations where physical inventory counts were not conducted in the fiscal year, an estimated shrink reserve is recorded based on historical shrinkage and any current trends, if applicable. Historically, the Company's shrinkage has not been volatile.

The Company accrues for merchandise in transit once it takes legal ownership and title to the merchandise; as such, an estimate for merchandise in transit is included in the Company's merchandise inventories.

#### H. Property and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets (forty years for buildings; five to twenty years for furniture, fixtures and equipment; and three to ten years for computer equipment and software). Leasehold improvements are amortized using the straight-line method over the lesser of their estimated useful life or the life of the lease. Depreciation expense is primarily included within selling, general and administrative expenses.

The cost of maintenance and repairs is charged to earnings as incurred; significant renewals and betterments are capitalized. Maintenance and repairs amounted to \$130.9 million, \$120.3 million and \$111.9 million for fiscal 2015, 2014 and 2013, respectively.

#### I. Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment when events or changes in circumstances indicate the carrying value of these assets may exceed their current fair values. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the assets. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. The Company has not historically recorded any material impairment to its long-lived assets. In the future, if events or market conditions affect the estimated fair value to the extent that a long-lived asset is impaired, the Company will adjust the carrying value of these long-lived assets in the period in which the impairment occurs.

#### J. Goodwill and Other Indefinite Lived Intangible Assets

The Company reviews goodwill and other intangibles that have indefinite lives for impairment annually or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. Impairment testing is based upon the best information available, including estimates of fair value which incorporate assumptions marketplace participants would use in making their estimates of fair value. The Company has not historically recorded an impairment to its goodwill and other indefinite lived intangible assets. As of February 27, 2016, for goodwill related to the North American Retail operating segment and the Institutional Sales operating segment and certain other indefinite lived intangible assets, the Company assessed qualitative factors in order to determine whether any events and circumstances existed which indicated that it was more likely than not that the fair value of these indefinite lived intangible assets did not exceed its carrying value

and concluded no such events or circumstances existed which would require an impairment test being performed. In the future, if events or market conditions affect the estimated fair value to the extent that an asset is impaired, the Company will adjust the carrying value of these assets in the period in which the impairment occurs.

Included within other assets in the accompanying consolidated balance sheets as of February 27, 2016 and February 28, 2015, respectively, are \$291.4 million for indefinite lived tradenames and trademarks.

#### K. Self Insurance

The Company utilizes a combination of insurance and self insurance for a number of risks including workers' compensation, general liability, automobile liability and employee related health care benefits (a portion of which is paid by its employees). Liabilities associated with the risks that the Company retains are estimated by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions. Although the Company's claims experience has not displayed substantial volatility in the past, actual experience could materially vary from its historical experience in the future. Factors that affect these estimates include but are not limited to: inflation, the number and severity of claims and regulatory changes. In the future, if the Company concludes an adjustment to self insurance accruals is required, the liability will be adjusted accordingly.

#### L. Deferred Rent

The Company accounts for scheduled rent increases contained in its leases on a straight-line basis over the term of the lease beginning as of the date the Company obtained possession of the leased premises. Deferred rent amounted to \$77.3 million and \$77.8 million as of February 27, 2016 and February 28, 2015, respectively.

Cash or lease incentives ("tenant allowances") received pursuant to certain store leases are recognized on a straight-line basis as a reduction to rent over the lease term. The unamortized portion of tenant allowances is included in deferred rent and other liabilities. The unamortized portion of tenant allowances amounted to \$119.8 million and \$121.0 million as of February 27, 2016 and February 28, 2015, respectively.

#### M. Shareholders' Equity

The Company has authorization to make repurchases from time to time in the open market or through other parameters approved by the Board of Directors pursuant to existing rules and regulations.

Between December 2004 and September 2015, the Company's Board of Directors authorized, through several share repurchase programs, the repurchase of \$11.950 billion of the Company's shares of common stock. On July 17, 2014, the Company entered into an accelerated share repurchase agreement ("ASR") with an investment bank to repurchase an aggregate \$1.1 billion of the Company's common stock. The ASR was completed in December 2014. The total number of shares repurchased under the ASR was 16.8 million shares at a weighted average share price of \$65.41. Since 2004 through the end of fiscal 2015, the Company has repurchased approximately \$9.7 billion of its common stock through share repurchase programs, which include the shares repurchased under the ASR.

During fiscal 2015, the Company repurchased approximately 18.4 million shares of its common stock at a total cost of approximately \$1.101 billion. During fiscal 2014, including the shares repurchased under the ASR, the Company repurchased approximately 33.0 million shares of its common stock at a total cost of approximately \$2.251 billion. During fiscal 2013, the Company repurchased approximately 18.3 million shares of its common stock at a total cost of approximately \$1.284 billion. The Company has approximately \$2.3 billion remaining of authorized share repurchases as of February 27, 2016.



Subsequent to the end of fiscal 2015, on April 6, 2016, the Company's Board of Directors authorized a quarterly dividend program, and declared an initial quarterly dividend of \$.125 per share to be paid on July 19, 2016 to shareholders of record as of June 17, 2016. Future cash dividends on the Company's common stock are subject to the determination by the Board of Directors based on an evaluation of the Company's earnings, financial condition and requirements, business conditions and other factors.

#### N. Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, investment securities, accounts payable, long term debt and certain other liabilities. The Company's investment securities consist primarily of U.S. Treasury securities, which are stated at amortized cost, and auction rate securities, which are stated at their approximate fair value. The book value of the financial instruments, excluding the Company's long term debt, is representative of their fair values (See "Fair Value Measurements," Note 2). The fair value of the Company's long term debt is approximately \$1.299 billion, which is based on quoted prices in active markets for identical instruments (i.e., Level 1 valuation), compared to the carrying value of approximately \$1.500 billion.

#### O. Revenue Recognition

Sales are recognized upon purchase by customers at the Company's retail stores or upon delivery for products purchased from its websites. The value of point-of-sale coupons and point-of-sale rebates that result in a reduction of the price paid by the customer are recorded as a reduction of sales. Shipping and handling fees that are billed to a customer in a sale transaction are recorded in sales. Taxes, such as sales tax, use tax and value added tax, are not included in sales.

Revenues from gift cards, gift certificates and merchandise credits are recognized when redeemed. Gift cards have no provisions for reduction in the value of unused card balances over defined time periods and have no expiration dates.

Sales returns are provided for in the period that the related sales are recorded based on historical experience. Although the estimate for sales returns has not varied materially from historical provisions, actual experience could vary from historical experience in the future if the level of sales return activity changes materially. In the future, if the Company concludes that an adjustment to the sales return accrual is required due to material changes in the returns activity, the reserve will be adjusted accordingly.

#### P. Cost of Sales

Cost of sales includes the cost of merchandise, buying costs and costs of the Company's distribution network including inbound freight charges, distribution facility costs, receiving costs, internal transfer costs and shipping and handling costs.

#### Q. Vendor Allowances

The Company receives allowances from vendors in the normal course of business for various reasons including direct cooperative advertising, purchase volume and reimbursement for other expenses. Annual terms for each allowance include the basis for earning the allowance and payment terms, which vary by agreement. All vendor allowances are recorded as a reduction of inventory cost, except for direct cooperative advertising allowances which are specific, incremental and identifiable. The Company recognizes purchase volume allowances as a reduction of the cost of inventory in the quarter in which milestones are achieved. Advertising costs were reduced by direct cooperative allowances of \$31.7 million, \$25.6 million and \$24.0 million for fiscal 2015, 2014 and 2013, respectively.

#### R. Store Opening, Expansion, Relocation and Closing Costs

Store opening, expansion, relocation and closing costs, including markdowns, asset residual values and projected occupancy costs, are charged to earnings as incurred.

#### S. Advertising Costs

Expenses associated with direct response advertising are expensed over the period during which the sales are expected to occur, generally four to seven weeks, and all other expenses associated with store advertising are charged to earnings as incurred. Net advertising costs amounted to \$338.1 million, \$308.4 million and \$280.5 million for fiscal 2015, 2014 and 2013, respectively.

#### T. Stock-Based Compensation

The Company measures all employee stock-based compensation awards using a fair value method and records such expense in its consolidated financial statements. Currently, the Company's stock-based compensation relates to restricted stock awards, stock options and performance stock units. The Company's restricted stock awards are considered nonvested share awards.

#### U. Income Taxes

The Company files a consolidated Federal income tax return. Income tax returns are also filed with each taxable jurisdiction in which the Company conducts business.

The Company accounts for its income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

The Company intends to reinvest the unremitted earnings of its Canadian subsidiary. Accordingly, no provision has been made for U.S. or additional non-U.S. taxes with respect to these earnings. In the event of repatriation to the U.S., in most cases such earnings would be subject to U.S. income taxes.

The Company recognizes the tax benefit from an uncertain tax position only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the taxing authorities.

Judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities. In the ordinary course of business, there are transactions and calculations where the ultimate tax outcome is uncertain. Additionally, the Company's tax returns are subject to audit by various tax authorities. Although the Company believes that its estimates are reasonable, actual results could differ from these estimates.

#### V. Earnings per Share

The Company presents earnings per share on a basic and diluted basis. Basic earnings per share has been computed by dividing net earnings by the weighted average number of shares outstanding. Diluted earnings per share has been computed by dividing net earnings by the weighted average number of shares outstanding, including the dilutive effect of stock-based awards as calculated under the treasury stock method.

Stock-based awards of approximately 2.6 million, 1.7 million and 1.2 million shares were excluded from the computation of diluted earnings per share as the effect would be anti-dilutive for fiscal 2015, 2014 and 2013, respectively.

#### W. Recent Accounting Pronouncements

In May 2014, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. This guidance requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. This guidance deferred the effective date of ASU 2014-09 for one year from the original effective date. In accordance with the deferral, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. ASU 2014-09 can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. The adoption of this guidance is not expected to have a significant effect on the Company’s consolidated financial position, results of operations, or cash flows.

In April 2015, the FASB issued ASU 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This guidance requires an entity to present debt issuance costs related to a recognized debt liability on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Costs associated with line-of-credit arrangements may continue to be recorded as deferred assets. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period, with earlier adoption permitted. ASU 2015-03 must be adopted retrospectively to each prior reporting period presented. The adoption of this guidance is not expected to have a significant effect on the Company’s consolidated financial position, results of operations, or cash flows.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. This guidance requires an entity to classify deferred tax assets and liabilities as noncurrent on the balance sheet. ASU 2015-17 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with earlier adoption permitted. ASU 2015-17 can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. The adoption of this guidance is not expected to have a significant effect on the Company’s consolidated financial position, results of operations, or cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This guidance requires an entity to recognize lease liabilities and a right-of-use asset for all leases on the balance sheet and to disclose key information about the entity’s leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, with earlier adoption permitted. ASU 2016-02 must be adopted using a modified retrospective approach for all leases existing at, or entered into after the date of initial adoption, with an option to elect to use certain transition relief. The Company is evaluating the impact of this new standard on its financial position, results of operations, cash flows and related disclosures.

## 2. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., “the exit price”) in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation approaches, including quoted market prices and discounted cash flows. The hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based

on market data obtained from independent sources. Unobservable inputs are inputs that reflect a company's judgment concerning the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset or liability must be classified in its entirety based on the lowest level of input that is significant to the measurement of fair value. The fair value hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical instruments that the Company is able to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 – Valuations based on quoted prices in active markets for instruments that are similar, or quoted prices in markets that are not active for identical or similar instruments, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

As of February 27, 2016, the Company's financial assets utilizing Level 1 inputs include long term trading investment securities traded on active securities exchanges. The Company did not have any financial assets utilizing Level 2 inputs. Financial assets utilizing Level 3 inputs included long term investments in auction rate securities consisting of preferred shares of closed end municipal bond funds (See "Investment Securities," Note 3).

### 3. INVESTMENT SECURITIES

The Company's investment securities as of February 27, 2016 and February 28, 2015 are as follows:

<u>(in millions)</u>	<u>February 27, 2016</u>	<u>February 28, 2015</u>
Available-for-sale securities:		
Long term	\$ 19.8	\$ 47.9
Trading securities:		
Long term	51.5	49.2
Held-to-maturity securities:		
Short term	<u>86.2</u>	<u>110.0</u>
Total investment securities	<u>\$157.5</u>	<u>\$207.1</u>

#### *Auction Rate Securities*

As of February 27, 2016 and February 28, 2015, the Company's long term available-for-sale investment securities represented approximately \$20.3 million and \$51.0 million par value of auction rate securities, respectively, consisting of preferred shares of closed end municipal bond funds, less temporary valuation adjustments of approximately \$0.5 million and \$3.1 million, respectively. Since these valuation adjustments are deemed to be temporary, they are recorded in accumulated other comprehensive loss, net of a related tax benefit, and did not affect the Company's net earnings.

In fiscal 2015, approximately \$30.7 million of these securities were tendered at a price of approximately 94% of par value for which the Company incurred a realized loss of approximately \$1.8 million, which is included within interest expense, net in the consolidated statement of earnings for fiscal 2015.

### *U.S. Treasury Securities*

As of February 27, 2016, and February 28, 2015, the Company's short term held-to-maturity securities included approximately \$86.2 million and approximately \$110.0 million, respectively, of U.S. Treasury Bills with remaining maturities of less than one year. These securities are stated at their amortized cost which approximates fair value, which is based on quoted prices in active markets for identical instruments (i.e., Level 1 valuation).

### *Long Term Trading Investment Securities*

The Company's long term trading investment securities, which are provided as investment options to the participants of the nonqualified deferred compensation plan, are stated at fair market value. The values of these trading investment securities included in the table above are approximately \$51.5 million and \$49.2 million as of February 27, 2016 and February 28, 2015, respectively.

## **4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

<i>(in thousands)</i>	<b>February 27, 2016</b>	<b>February 28, 2015</b>
Land and buildings	<b>\$ 567,602</b>	\$ 557,538
Furniture, fixtures and equipment	<b>1,240,181</b>	1,179,073
Leasehold improvements	<b>1,341,596</b>	1,258,916
Computer equipment and software	<b>1,106,812</b>	940,754
	<b>4,256,191</b>	3,936,281
Less: Accumulated depreciation	<b>(2,531,148)</b>	(2,259,581)
Property and equipment, net	<b><u>\$ 1,725,043</u></b>	<b><u>\$ 1,676,700</u></b>

## **5. LONG TERM DEBT**

### *Senior Unsecured Notes*

On July 17, 2014, the Company issued \$300 million aggregate principal amount of 3.749% senior unsecured notes due August 1, 2024 (the "2024 Notes"), \$300 million aggregate principal amount of 4.915% senior unsecured notes due August 1, 2034 (the "2034 Notes") and \$900 million aggregate principal amount of 5.165% senior unsecured notes due August 1, 2044 (the "2044 Notes" and, together with the 2024 Notes and the 2034 Notes, the "Notes"). The aggregate net proceeds from the Notes were approximately \$1.5 billion, which was used for share repurchases of the Company's common stock and for general corporate purposes. Interest on the Notes is payable semi-annually on February 1 and August 1 of each year.

The Notes were issued under an indenture (the "Base Indenture"), as supplemented by a first supplemental indenture (together, with the Base Indenture, the "Indenture"), which contains various restrictive covenants, which are subject to important limitations and exceptions that are described in the Indenture. The Company was in compliance with all covenants related to the Notes as of February 27, 2016.

The Notes are unsecured, senior obligations and rank equal in right of payment to any of the Company's existing and future senior unsecured indebtedness. The Company may redeem the Notes at any time, in whole or in part, at the redemption prices described in the Indenture plus accrued and unpaid interest to the redemption date. If a change in control triggering event, as defined by the Indenture governing the Notes, occurs unless the Company has exercised its right to redeem the Notes, the Company will be required to make an offer to the holders of the Notes to purchase the Notes at 101% of their principal amount, plus accrued and unpaid interest.

### *Revolving Credit Agreement*

On August 6, 2014, the Company entered into a \$250 million five year senior unsecured revolving credit facility agreement (“Revolver”) with various lenders. For fiscal 2015 and during the period from August 6, 2014 through February 28, 2015, the Company did not have any borrowings under the Revolver.

Borrowings under the Revolver accrue interest at either (1) a fluctuating rate equal to the greater of the prime rate, as defined in the Revolver, the Federal Funds Rate plus 0.50%, or one-month LIBOR plus 1.0% and, in each case, plus an applicable margin based upon the Company’s leverage ratio which is calculated quarterly, (2) a periodic fixed rate equal to LIBOR plus an applicable margin based upon the Company’s leverage ratio which is calculated quarterly or (3) an agreed upon fixed rate. In addition, a commitment fee is assessed, which is included in interest expense, net in the Consolidated Statement of Earnings. The Revolver contains customary affirmative and negative covenants and also requires the Company to maintain a minimum leverage ratio. The Company was in compliance with all covenants related to the Revolver as of February 27, 2016.

Deferred financing costs associated with the Notes and the Revolver of approximately \$10.1 million were capitalized and are included in other assets, net of amortization, in the accompanying Consolidated Balance Sheets. These deferred financing costs are being amortized over the term of each of the Notes and the term of the Revolver and such amortization is included in interest expense, net in the Consolidated Statement of Earnings. Interest expense related to the Notes and the Revolver, including the commitment fee and the amortization of the deferred financing costs, was approximately \$73.0 million for fiscal 2015 and \$44.9 million for the period from July 17, 2014 through February 28, 2015.

### *Lines of Credit*

At February 27, 2016, the Company maintained two uncommitted lines of credit of \$100 million each, with expiration dates of August 31, 2016 and February 26, 2017, respectively. These uncommitted lines of credit are currently and are expected to be used for letters of credit in the ordinary course of business. During fiscal 2015 and 2014, the Company did not have any direct borrowings under the uncommitted lines of credit. As of February 27, 2016, there was approximately \$9.5 million of outstanding letters of credit. Although no assurances can be provided, the Company intends to renew both uncommitted lines of credit before the respective expiration dates. In addition, as of February 27, 2016, the Company maintained unsecured standby letters of credit of \$51.2 million, primarily for certain insurance programs. As of February 28, 2015, there was approximately \$11.1 million of outstanding letters of credit and approximately \$71.7 million of outstanding unsecured standby letters of credit, primarily for certain insurance programs.

## **6. PROVISION FOR INCOME TAXES**

The components of the provision for income taxes are as follows:

<i>(in thousands)</i>	<b>FISCAL YEAR ENDED</b>		
	<b>February 27, 2016</b>	<b>February 28, 2015</b>	<b>March 1, 2014</b>
Current:			
Federal	<b>\$389,039</b>	\$504,154	\$514,818
State and local	<b>39,991</b>	64,486	64,581
	<b>429,030</b>	568,640	579,399
Deferred:			
Federal	<b>42,592</b>	(18,245)	11,221
State and local	<b>14,334</b>	(4,034)	537
	<b>56,926</b>	(22,279)	11,758
	<b>\$485,956</b>	\$546,361	\$591,157



At February 27, 2016, included in other current assets is a net current deferred income tax asset of \$201.5 million and included in deferred rent and other liabilities is a net noncurrent deferred income tax liability of \$2.4 million. At February 28, 2015, included in other current assets is a net current deferred income tax asset of \$207.3 million and included in other assets is a net noncurrent deferred income tax asset of \$49.7 million. These amounts represent the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets and liabilities consist of the following:

<u>(in thousands)</u>	<u>February 27, 2016</u>	<u>February 28, 2015</u>
Deferred tax assets:		
Inventories	\$ 30,470	\$ 35,169
Deferred rent and other rent credits	74,182	77,878
Insurance	51,238	62,668
Stock-based compensation	39,417	35,591
Merchandise credits and gift card liabilities	66,496	65,055
Accrued expenses	46,226	42,328
Obligations on distribution centers	40,704	41,175
Net operating loss carryforwards and other tax credits	22,253	30,453
Other	90,776	89,933
Deferred tax liabilities:		
Depreciation	(104,781)	(74,051)
Goodwill	(62,252)	(55,888)
Intangibles	(81,150)	(80,515)
Other	(14,525)	(12,780)
	<u>\$ 199,054</u>	<u>\$257,016</u>

At February 27, 2016, the Company has federal net operating loss carryforwards of \$11.4 million (tax effected), which will begin expiring in 2025, state net operating loss carryforwards of \$5.0 million (tax effected), which will expire between 2015 and 2031, California state enterprise zone credit carryforwards of \$4.8 million (tax effected), which will expire in 2023, but require taxable income in the enterprise zone to be realizable and other tax credits of \$1.0 million (tax effected).

The Company has not established a valuation allowance for the net deferred tax asset as it is considered more likely than not that it is realizable through a combination of future taxable income and the deductibility of future net deferred tax liabilities.

The following table summarizes the activity related to the gross unrecognized tax benefits from uncertain tax positions:

<u>(in thousands)</u>	<u>February 27, 2016</u>	<u>February 28, 2015</u>
Balance at beginning of year	\$ 79,985	\$ 92,614
Increase related to current year positions	16,662	17,333
Increase related to prior year positions	2,104	6,549
Decrease related to prior year positions	(14,698)	(20,082)
Settlements	(5,865)	(11,762)
Lapse of statute of limitations	(5,381)	(4,667)
Balance at end of year	<u>\$ 72,807</u>	<u>\$ 79,985</u>



At February 27, 2016, the Company has recorded approximately \$72.8 million of gross unrecognized tax benefits in noncurrent income taxes payable on the consolidated balance sheet of which approximately \$72.7 million would impact the Company's effective tax rate. At February 28, 2015, the Company has recorded approximately \$80.0 million of gross unrecognized tax benefits in noncurrent income taxes payable on the consolidated balance sheet of which approximately \$79.9 million would impact the Company's effective tax rate. As of February 27, 2016 and February 28, 2015, the liability for gross unrecognized tax benefits included approximately \$10.5 million and \$13.0 million, respectively, of accrued interest. The Company recorded a decrease of interest of approximately \$2.5 million and \$3.9 million, respectively, for the years ended February 27, 2016 and February 28, 2015 for gross unrecognized tax benefits in the consolidated statement of earnings.

The Company anticipates that any adjustments to gross unrecognized tax benefits which will impact income tax expense, due to the expiration of statutes of limitations, could be approximately \$4 to \$5 million in the next twelve months. However, actual results could differ from those currently anticipated.

As of February 27, 2016, the Company operated in all 50 states, the District of Columbia, Puerto Rico, Canada and several other international countries and files income tax returns in the United States and various state, local and international jurisdictions. The Company is open to examination for state and local jurisdictions with varying statutes of limitations, generally ranging from three to five years.

For fiscal 2015, the effective tax rate is comprised of the Federal statutory income tax rate of 35.00%, the State income tax rate, net of Federal benefit, of 3.07%, provision for uncertain tax positions of .07% and other income tax benefits of 1.53%. For fiscal 2014, the effective tax rate is comprised of the Federal statutory income tax rate of 35.00%, the State income tax rate, net of Federal benefit, of 3.01%, provision for uncertain tax positions of 0.04% and other income tax benefits of 1.72%. For fiscal 2013, the effective tax rate is comprised of the Federal statutory income tax rate of 35.00%, the State income tax rate, net of Federal benefit, of 3.07%, benefit for uncertain tax positions of 0.05% and other income tax benefits of 1.42%.

## **7. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

In fiscal 2002, the Company had an interest in certain life insurance policies on the lives of its Co-Chairmen and their spouses. The Company's interest in these policies was equivalent to the net premiums paid by the Company. The agreements relating to the Company's interest in the life insurance policies on the lives of its Co-Chairmen and their spouses were terminated in fiscal 2003. Upon termination in fiscal 2003, the Co-Chairmen paid to the Company \$5.4 million, representing the total amount of premiums paid by the Company under the agreements and the Company was released from its contractual obligation to make substantial future premium payments. In order to confer a benefit to its Co-Chairmen in substitution for the aforementioned terminated agreements, the Company has agreed to pay to the Co-Chairmen, at a future date, an aggregate amount of \$4.2 million, which is included in accrued expenses and other current liabilities as of February 27, 2016 and February 28, 2015.

## **8. LEASES**

The Company leases retail stores, as well as distribution facilities, offices and equipment, under agreements expiring at various dates through 2042. Certain leases provide for contingent rents (which are based upon store sales exceeding stipulated amounts and are immaterial in fiscal 2015, 2014 and 2013), scheduled rent increases and renewal options. The Company is obligated under a majority of the leases to pay for taxes, insurance and common area maintenance charges.

As of February 27, 2016, future minimum lease payments under non-cancelable operating leases were as follows:

<i>(in thousands)</i>	<u>Operating Leases</u>
Fiscal Year:	
2016	\$ 585,118
2017	538,142
2018	473,163
2019	407,510
2020	325,149
Thereafter	<u>955,643</u>
Total future minimum lease payments	<u>\$3,284,725</u>

Expenses for all operating leases were \$568.1 million, \$566.0 million and \$559.8 million for fiscal 2015, 2014 and 2013, respectively.

As of February 27, 2016 and February 28, 2015, the capital lease obligations were approximately \$6.5 million and \$3.5 million, respectively, for which the current and long-term portions are included within accrued expenses and other current liabilities and deferred rent and other liabilities, respectively, in the consolidated balance sheet. Monthly minimum lease payments are accounted for as principal and interest payments. Interest expense for all capital leases was \$0.4 million, \$0.5 million and \$0.5 million for fiscal 2015, 2014 and 2013, respectively. The minimum capital lease payments, including interest, by fiscal year are: \$1.2 million in fiscal 2016, \$1.2 million in fiscal 2017, \$1.0 million in fiscal 2018, \$1.0 million in fiscal 2019, \$0.9 million in fiscal 2020 and \$3.3 million thereafter.

The Company has financing obligations, related to two sale/leaseback agreements, which approximated the discounted fair value of the minimum lease payments, had a residual fair value at the end of the lease term and are being amortized over the term of the respective agreements, including option periods, of 32 and 35 years. As of February 27, 2016 and February 28, 2015, the sale/leaseback financing obligations were approximately \$104.0 million and \$104.6 million, respectively, for which the current and long-term portions are included within accrued expenses and other current liabilities and deferred rent and other liabilities, respectively, in the consolidated balance sheet. Monthly lease payments are accounted for as principal and interest payments (at approximate annual interest rates of 7.2% and 10.6%). These sale/leaseback financing obligations, excluding the residual fair value at the end of the lease term, mature as follows: \$0.7 million in fiscal 2016, \$0.8 million in fiscal 2017, \$0.8 million in fiscal 2018, \$0.8 million in fiscal 2019, \$0.9 million in fiscal 2020 and \$76.4 million thereafter.

## **9. EMPLOYEE BENEFIT PLANS**

### *Defined Contribution Plans*

The Company has five defined contribution savings plans covering all eligible employees of the Company (“the Plans”). Participants of the Plans may defer annual pre-tax compensation subject to statutory and Plan limitations. In addition, a certain percentage of an employee’s contributions are matched by the Company and vest over a specified period of time, subject to certain statutory and Plan limitations. The Company’s match was approximately \$13.9 million, \$13.2 million and \$12.5 million for fiscal 2015, 2014 and 2013, respectively, which was expensed as incurred.

### *Nonqualified Deferred Compensation Plan*

The Company has a nonqualified deferred compensation plan (“NQDC”) for the benefit of employees who are defined by the Internal Revenue Service as highly compensated. Participants of the NQDC may defer annual

pre-tax compensation subject to statutory and plan limitations. In addition, a certain percentage of an employee's contributions may be matched by the Company and vest over a specified period of time, subject to certain plan limitations. The Company's match was approximately \$0.6 million, \$0.7 million and \$0.5 million in fiscal 2015, 2014 and 2013, respectively, which was expensed as incurred.

Changes in the fair value of the trading securities related to the NQDC and the corresponding change in the associated liability are included within interest income and selling, general and administrative expenses respectively, in the consolidated statements of earnings. Historically, these changes have resulted in no net impact to the consolidated statements of earnings.

#### *Defined Benefit Plan*

The Company has a non-contributory defined benefit pension plan for the CTS employees, hired on or before July 31, 2003, who meet specified age and length-of-service requirements. The benefits are based on years of service and the employee's compensation up until retirement. The Company recognizes the overfunded or underfunded status of the pension plan as an asset or liability in its statement of financial position and recognizes changes in the funded status in the year in which the changes occur. For the years ended February 27, 2016, February 28, 2015 and March 1, 2014, the net periodic pension cost was not material to the Company's results of operations. The Company has a \$20.4 million and \$18.4 million liability, which is included in deferred rent and other liabilities as of February 27, 2016 and February 28, 2015, respectively. In addition, as of February 27, 2016 and February 28, 2015, the Company recognized a loss of \$6.5 million, net of taxes of \$4.2 million, and a loss of \$6.1 million, net of taxes of \$4.0 million, respectively, within accumulated other comprehensive loss.

### **10. COMMITMENTS AND CONTINGENCIES**

The Company maintains employment agreements with its Co-Chairmen, which extend through February 25, 2017. The agreements provide for a base salary (which may be increased by the Board of Directors), termination payments, postretirement benefits and other terms and conditions of employment. In addition, the Company maintains employment agreements with other executives which provide for severance pay and, in some instances, certain other supplemental retirement benefits.

The Company records an estimated liability related to its various claims and legal actions arising in the ordinary course of business when and to the extent that it concludes a liability is probable and the amount of the loss can be reasonably estimated. Such estimated loss is based on available information and advice from outside counsel, where appropriate. As additional information becomes available, the Company reassesses the potential liability related to claims and legal actions and revises its estimated liabilities, as appropriate. The Company expects the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. The Company also cannot predict the nature and validity of claims which could be asserted in the future, and future claims could have a material impact on its earnings.

### **11. SUPPLEMENTAL CASH FLOW INFORMATION**

The Company paid income taxes of \$442.4 million, \$554.4 million and \$562.4 million in fiscal 2015, 2014 and 2013, respectively. In addition, the Company had interest payments of approximately \$81.5 million, \$48.2 million and \$9.2 million in fiscal 2015, 2014 and 2013, respectively.

The Company recorded an accrual for capital expenditures of \$51.7 million, \$57.8 million and \$50.2 million as of February 27, 2016, February 28, 2015 and March 1, 2014, respectively.

## 12. STOCK-BASED COMPENSATION

The Company measures all employee stock-based compensation awards using a fair value method and records such expense, net of estimated forfeitures, in its consolidated financial statements. Currently, the Company's stock-based compensation relates to restricted stock awards, stock options and performance stock units. The Company's restricted stock awards are considered nonvested share awards.

Stock-based compensation expense for the fiscal year ended February 27, 2016, February 28, 2015 and March 1, 2014 was approximately \$67.0 million (\$42.4 million after tax or \$0.26 per diluted share), \$66.5 million (\$42.4 million after tax or \$0.22 per diluted share) and approximately \$56.2 million (\$35.6 million after tax or \$0.17 per diluted share), respectively. In addition, the amount of stock-based compensation cost capitalized for the years ended February 27, 2016 and February 28, 2015 was approximately \$2.1 million and \$1.9 million, respectively.

### *Incentive Compensation Plans*

The Company currently grants awards under the Bed Bath & Beyond 2012 Incentive Compensation Plan (the "2012 Plan"), which amended and restated the Bed Bath & Beyond 2004 Incentive Compensation Plan (the "2004 Plan"). The 2012 Plan includes an aggregate of 43.2 million common shares authorized for issuance and the ability to grant incentive stock options. Outstanding awards that were covered by the 2004 Plan continue to be in effect under the 2012 Plan.

The 2012 Plan is a flexible compensation plan that enables the Company to offer incentive compensation through stock options (whether nonqualified stock options or incentive stock options), restricted stock awards, stock appreciation rights, performance awards and other stock based awards, including cash awards. Under the 2012 Plan, grants are determined by the Compensation Committee for those awards granted to executive officers and by an appropriate committee for all other awards granted. Awards of stock options and restricted stock generally vest in five equal annual installments beginning one to three years from the date of grant. Awards of performance stock units generally vest over a period of four years from the date of grant dependent on the Company's achievement of performance-based tests and subject, in general, to the executive remaining in the Company's service on specified vesting dates.

The Company generally issues new shares for stock option exercises, restricted stock awards and vesting of performance stock units.

### *Stock Options*

Stock option grants are issued at fair market value on the date of grant and generally become exercisable in either three or five equal annual installments beginning one year from the date of grant for options issued since May 10, 2010, and beginning one to three years from the date of grant for options issued prior to May 10, 2010, in each case, subject, in general to the recipient remaining in the Company's service on specified vesting dates. Option grants expire eight years after the date of grant. All option grants are nonqualified. As of February 27, 2016, unrecognized compensation expense related to the unvested portion of the Company's stock options was \$23.2 million, which is expected to be recognized over a weighted average period of 2.7 years.

The fair value of the stock options granted was estimated on the date of the grant using a Black-Scholes option-pricing model that uses the assumptions noted in the following table.

<u>Black-Scholes Valuation Assumptions (1)</u>	<u>FISCAL YEAR ENDED</u>		
	<u>February 27, 2016</u>	<u>February 28, 2015</u>	<u>March 1, 2014</u>
Weighted Average Expected Life (in years) (2)	6.7	6.6	6.6
Weighted Average Expected Volatility (3)	27.59%	28.31%	29.27%
Weighted Average Risk Free Interest Rates (4)	1.93%	2.11%	1.11%
Expected Dividend Yield	—	—	—

- (1) Forfeitures are estimated based on historical experience.
- (2) The expected life of stock options is estimated based on historical experience.
- (3) Expected volatility is based on the average of historical and implied volatility. The historical volatility is determined by observing actual prices of the Company's stock over a period commensurate with the expected life of the awards. The implied volatility represents the implied volatility of the Company's call options, which are actively traded on multiple exchanges, had remaining maturities in excess of twelve months, had market prices close to the exercise prices of the employee stock options and were measured on the stock option grant date.
- (4) Based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected life of the stock options.

Changes in the Company's stock options for the fiscal year ended February 27, 2016 were as follows:

<u>(Shares in thousands)</u>	<u>Number of Stock Options</u>	<u>Weighted Average Exercise Price</u>
Options outstanding, beginning of period	3,682	\$51.05
Granted	501	70.96
Exercised	(255)	35.10
Forfeited or expired	(90)	63.12
Options outstanding, end of period	<u>3,838</u>	<u>\$54.43</u>
Options exercisable, end of period	<u>2,358</u>	<u>\$47.06</u>

The weighted average fair value for the stock options granted in fiscal 2015, 2014 and 2013 was \$23.12, \$20.96 and \$22.28, respectively. The weighted average remaining contractual term and the aggregate intrinsic value for options outstanding as of February 27, 2016 was 3.7 years and \$19.9 million, respectively. The weighted average remaining contractual term and the aggregate intrinsic value for options exercisable as of February 27, 2016 was 2.4 years and \$18.9 million, respectively. The total intrinsic value for stock options exercised during fiscal 2015, 2014 and 2013 was \$8.7 million, \$33.5 million and \$44.6 million, respectively.

Net cash proceeds from the exercise of stock options for fiscal 2015 were \$9.1 million and the net associated income tax benefit was \$10.0 million.

#### *Restricted Stock*

Restricted stock awards are issued and measured at fair market value on the date of grant and generally become vested in five equal annual installments beginning one to three years from the date of grant, subject, in general, to the recipient remaining in the Company's service on specified vesting dates. Vesting of restricted stock awarded to certain of the Company's executives is dependent on the Company's achievement of a performance-based test for the fiscal year of grant and, assuming achievement of the performance-based test, time vesting, subject, in general, to the executive remaining in the Company's service on specified vesting dates. The Company recognizes compensation expense related to these awards based on the assumption that the performance-based test will be achieved. Vesting of restricted stock awarded to the Company's other employees is based solely on time vesting. As of February 27, 2016, unrecognized compensation expense related to the unvested portion of the Company's restricted stock awards was \$127.6 million, which is expected to be recognized over a weighted average period of 3.6 years.

Changes in the Company's restricted stock for the fiscal year ended February 27, 2016 were as follows:

<u>(Shares in thousands)</u>	<u>Number of Restricted Shares</u>	<u>Weighted Average Grant-Date Fair Value</u>
Unvested restricted stock, beginning of period	3,592	\$57.90
Granted	792	68.67
Vested	(952)	49.50
Forfeited	<u>(202)</u>	<u>62.81</u>
Unvested restricted stock, end of period	<u>3,230</u>	<u>\$62.71</u>

#### *Performance Stock Units*

Performance stock units ("PSUs") are issued and measured at fair market value on the date of grant. Vesting of PSUs awarded to certain of the Company's executives is dependent on the Company's achievement of a performance-based test during a one-year period from the date of grant and during a three-year period from the date of grant and, assuming achievement of the performance-based test, time vesting, subject, in general, to the executive remaining in the Company's service on specified vesting dates. Performance during the one-year period will be based on Earnings Before Interest and Taxes ("EBIT") margin relative to a peer group of the Company. Upon achievement of the one-year performance-based test, the corresponding PSUs will vest annually in substantially equal installments over a three year period starting one year from the date of grant. Performance during the three-year period will be based on Return on Invested Capital ("ROIC") relative to such peer group. Upon achievement of the three-year performance-based test, the corresponding PSUs will vest on the fourth anniversary date of grant. The awards based on EBIT margin and ROIC range from a floor of zero to a cap of 150% of target achievement, with a floor of zero. PSUs are converted into shares of common stock upon payment following vesting. Upon grant of the PSUs, the Company recognizes compensation expense related to these awards based on the assumption that 100% of the target award will be achieved. The Company evaluates the target assumption on a quarterly basis and adjusts compensation expense related to these awards, as appropriate. As of February 27, 2016, unrecognized compensation expense related to the unvested portion of the Company's performance stock units was \$20.6 million, which is expected to be recognized over a weighted average period of 2.0 years.

Changes in the Company's PSUs for the fiscal year ended February 27, 2016 were as follows:

<u>(Shares in thousands)</u>	<u>Number of Performance Stock Units</u>	<u>Weighted Average Grant-Date Fair Value</u>
Unvested performance stock units, beginning of period	391	\$62.34
Granted	370	70.96
Vested	(98)	62.34
Forfeited	<u>(36)</u>	<u>67.15</u>
Unvested performance stock units, end of period	<u>627</u>	<u>\$67.15</u>

### 13. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

<i>(in thousands, except per share data)</i>	<u>FISCAL 2015 QUARTER ENDED</u>				<u>FISCAL 2014 QUARTER ENDED</u>			
	<u>May 30, 2015</u>	<u>August 29, 2015</u>	<u>November 28, 2015</u>	<u>February 27, 2016</u>	<u>May 31, 2014</u>	<u>August 30, 2014</u>	<u>November 29, 2014</u>	<u>February 28, 2015</u>
Net sales	\$2,738,495	\$2,995,469	\$2,952,031	\$3,417,892	\$2,656,698	\$2,944,905	\$2,942,980	\$3,336,593
Gross profit	1,044,133	1,140,950	1,115,311	1,319,916	1,030,885	1,134,045	1,128,974	1,325,875
Operating profit	273,269	350,194	292,858	498,582	300,701	368,741	352,683	532,168
Earnings before provision for income taxes	253,368	325,141	274,806	474,130	298,607	359,213	333,114	512,901
Provision for income taxes	94,917	123,463	96,990	170,586	111,555	135,260	107,706	191,840
Net earnings	\$ 158,451	\$ 201,678	\$ 177,816	\$ 303,544	\$ 187,052	\$ 223,953	\$ 225,408	\$ 321,061
EPS-Basic (1)	\$ 0.94	\$ 1.22	\$ 1.10	\$ 1.93	\$ 0.94	\$ 1.18	\$ 1.24	\$ 1.83
EPS-Diluted (1)	\$ 0.93	\$ 1.21	\$ 1.09	\$ 1.91	\$ 0.93	\$ 1.17	\$ 1.23	\$ 1.80

(1) Net earnings per share ("EPS") amounts for each quarter are required to be computed independently and may not equal the amount computed for the total year.



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders  
Bed Bath & Beyond Inc.:

We have audited the accompanying consolidated balance sheets of Bed Bath & Beyond Inc. and subsidiaries as of February 27, 2016 and February 28, 2015, and the related consolidated statements of earnings, comprehensive income, shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended February 27, 2016. In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bed Bath & Beyond Inc. and subsidiaries as of February 27, 2016 and February 28, 2015, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended February 27, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of February 27, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 26, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

**KPMG LLP**

Short Hills, New Jersey  
April 26, 2016



## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Directors and Shareholders  
Bed Bath & Beyond Inc.:

We have audited Bed Bath & Beyond Inc. and subsidiaries' (the "Company") internal control over financial reporting as of February 27, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Report on Internal Control Over Financial Reporting," appearing in Item 9A, Controls and Procedures. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 27, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Bed Bath & Beyond Inc. and subsidiaries as of February 27, 2016 and February 28, 2015, and the related consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for each of the fiscal years in the three-year period ended February 27, 2016, and our report dated April 26, 2016 expressed an unqualified opinion on those consolidated financial statements.

**KPMG LLP**

Short Hills, New Jersey  
April 26, 2016

## MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our management assessed the effectiveness of our internal control over financial reporting as of February 27, 2016. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), released in 2013, Internal Control-Integrated Framework.

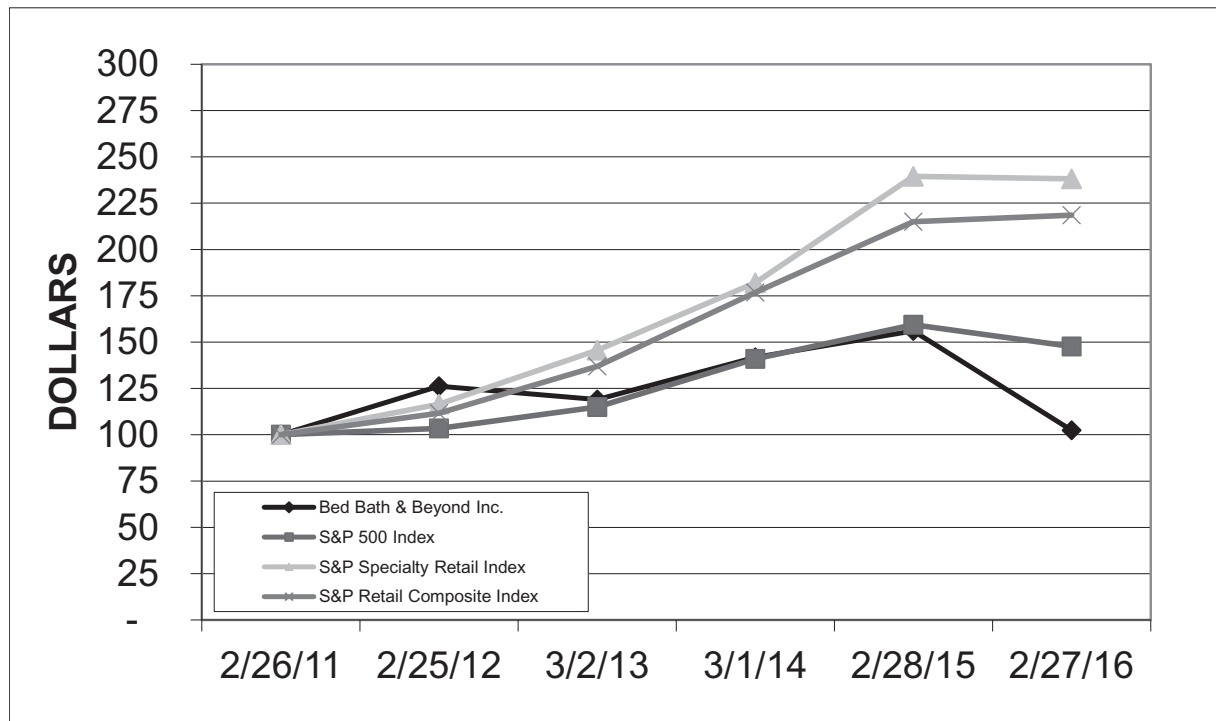
Our management has concluded that, as of February 27, 2016, our internal control over financial reporting is effective based on these criteria.

April 26, 2016

---

### STOCK PRICE PERFORMANCE GRAPH

The graph shown below compares the performance of the Company’s common stock with that of the S&P 500 Index, the S&P Specialty Retail Index and the S&P Retail Composite Index over the same period (assuming the investment of \$100 in the Company’s common stock and each of the three Indexes on February 26, 2011, and the reinvestment of dividends, if any).



BED BATH & BEYOND INC.

## CORPORATE AND SHAREHOLDER INFORMATION

### Corporate Office

650 Liberty Avenue  
Union, NJ 07083  
Telephone: 908/688-0888

### Shareholder Information

A copy of the Company's 2015 Form 10-K as filed with the Securities and Exchange Commission ("SEC") may be obtained from the Investor Relations Department at the Corporate Office.  
Telephone: 908/613-5820

The Company provides access to the documents filed with the SEC through the Investor Relations section of its website,  
[www.bedbathandbeyond.com](http://www.bedbathandbeyond.com).

A copy of the Company's Policy of Ethical Standards for Business Conduct is also provided at this location.

### Stock Listing

Shares of Bed Bath & Beyond Inc. are traded on The NASDAQ Stock Market LLC under the symbol BBBY.

### Annual Meeting

The Annual Meeting of Shareholders will be held at 9 a.m. July 1, 2016, at The Madison Hotel, One Convent Road, Morristown, New Jersey 07960.

### Independent Auditors

KPMG LLP  
51 John F. Kennedy Parkway  
Short Hills, New Jersey 07078

### Stock Activity

The following table sets forth the high and low reported closing prices of the Company's common stock on The NASDAQ Stock Market LLC during fiscal 2015 and fiscal 2014:

<u>QUARTER</u>	<u>HIGH</u>	<u>LOW</u>
Fiscal 2015		
<b>First</b>	<b>\$77.68</b>	<b>\$69.65</b>
<b>Second</b>	<b>71.53</b>	<b>59.93</b>
<b>Third</b>	<b>63.33</b>	<b>52.89</b>
<b>Fourth</b>	<b>54.52</b>	<b>41.94</b>
Fiscal 2014		
First	\$69.80	\$60.51
Second	64.53	56.70
Third	73.69	62.40
Fourth	79.45	71.12

At May 6, 2016, there were approximately 5,800 shareholders of record. This number excludes individual shareholders holding stock under nominee security position listings.

### Transfer Agent

The Transfer Agent should be contacted on questions of change of address, name or ownership, lost certificates and consolidation of accounts.

American Stock Transfer & Trust Company  
6201 15<sup>th</sup> Avenue  
Brooklyn, New York 11219  
Telephone: 800/937-5449

### Websites

[www.andthat.com](http://www.andthat.com)  
[www.bedbathandbeyond.com](http://www.bedbathandbeyond.com)  
[www.buybuybaby.com](http://www.buybuybaby.com)  
[www.christmastreeshops.com](http://www.christmastreeshops.com)  
[www.facevalues.com](http://www.facevalues.com)  
[www.harborlinen.com](http://www.harborlinen.com)  
[www.harmondiscout.com](http://www.harmondiscout.com)  
[www.ofakind.com](http://www.ofakind.com)  
[www.t-ygroup.com](http://www.t-ygroup.com)  
[www.worldmarket.com](http://www.worldmarket.com)  
[www.bedbathandbeyond.ca](http://www.bedbathandbeyond.ca)  
[www.buybuybaby.ca](http://www.buybuybaby.ca)

**BED BATH & BEYOND INC.**

650 Liberty Avenue  
Union, NJ 07083  
908-688-0888