BED BATH & BEYOND INC.

Notice of 2017 Annual Meeting of Shareholders

Proxy Statement

2016 Annual Report

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

	Fiscal Year Ended[1]				
	February 25, 2017[2]	February 27, 2016	February 28, 2015	March 1, 2014	March 2, 2013[3]
Statement of Earnings Data:					
Net sales	$12,215,757	$12,103,887	$11,881,176	$11,503,963	$10,914,585
Gross profit	4,576,350	4,620,310	4,619,779	4,565,582	4,388,755
Operating profit	1,135,210	1,414,903	1,554,293	1,614,587	1,638,218
Net earnings	685,108	841,489	957,474	1,022,290	1,037,788
Net earnings per share – Diluted	$ 4.58	$ 5.10	$ 5.07	$ 4.79	$ 4.56
Dividends declared per share[6]	$ 0.50	$ —	$ —	$ —	$ —
Selected Operating Data:					
Number of stores open (at period end)	1,546	1,530	1,513	1,496	1,471
Total square feet of store space (at period end)	43,619,000	43,274,000	43,041,000	42,619,000	42,030,000
Percentage (decrease) increase in comparable sales[4]	(0.6%)	1.0%	2.4%	2.4%	2.7%
Comparable sales (in 000's)[4]	$11,701,042	$11,722,973	$11,517,454	$10,660,573	$ 9,819,904
Balance Sheet Data (at period end):					
Working capital	$ 1,778,243	$ 1,958,737	$ 2,140,922	$ 1,953,851	$ 2,216,323
Total assets	6,846,029	6,490,077	6,749,665	6,356,033	6,279,952
Long-term sale/leaseback and capital lease obligations	107,136	109,274	106,948	108,046	108,364
Long-term debt[5]	1,491,603	1,491,137	1,490,672	—	—
Shareholders' equity[6][7]	$ 2,719,277	$ 2,559,540	$ 2,743,190	$ 3,941,287	$ 4,079,730

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

(2) The Company acquired One Kings Lane, Inc. on June 13, 2016, PersonalizationMall.com, LLC ("PMall") on November 23, 2016, and certain assets of Chef Central on January 27, 2017.

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

(4) 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 was excluded from the comparable sales calculations through the end of the first fiscal half of 2016, and is included beginning with the fiscal third quarter of 2016. One Kings Lane is excluded from the comparable sales calculation for fiscal 2016 and will continue to be excluded until a point following the anniversary of the acquisition, after the currently in process re-platforming of One Kings Lane's systems and integration of its support services have been in place for a period of time such that there would be a meaningful comparison in One Kings Lane's sales over the prior period. PMall and Chef Central are also excluded from the comparable sales calculation for fiscal 2016 and will continue to be excluded until after the anniversary of the respective 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.

(5) 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. Amounts shown are net of unamortized deferred financing costs.

(6) The Company's Board of Directors declared quarterly dividends of $0.125 per share in each quarter of fiscal 2016, totaling $0.50 per share or approximately $76 million for the fiscal year 2016. The Company had not declared any cash dividends in any of the fiscal years prior to fiscal 2016.

(7) In fiscal 2016, 2015, 2014, 2013 and 2012, the Company repurchased approximately $0.547 billion, $1.101 billion, $2.251 billion, $1.284 billion, and $1.001 billion of its common stock, respectively.

Corporate Profile

Founded in 1971, Bed Bath & Beyond Inc. and subsidiaries is an omnichannel retailer offering a wide selection of domestics merchandise and home furnishings. The Company's mission is to be trusted by its customers as the expert for the home and "heart-related" life events. These include certain life events that evoke strong emotional connections such as getting married, moving to a new home, having a baby, going to college, and decorating a room, which the Company supports through its wedding and baby registries, new mover, and student life programs, and its design consultation services. The Company's strategy is based on building and delivering a strong foundation of differentiated products, and services and solutions, while driving operational excellence.

Through its multiple retail channels, the Company strives to do more for and with its customers wherever, whenever and however, they wish to interact with the Company. The Company operates a robust e-commerce platform consisting of various websites and applications. The Company also operates an established retail store base under the names of Bed Bath & Beyond, Christmas Tree Shops, Christmas Tree Shops andThat! or andThat!, Harmon, Harmon Face Values or Face Values, buybuy BABY, and World Market, Cost Plus World Market or Cost Plus. In fiscal 2015, the Company acquired Of a Kind, Inc., an e-commerce website that features specially commissioned, limited edition items from emerging fashion and home designers. In fiscal 2016, the Company acquired One Kings Lane, Inc., an online authority in home décor and design offering a unique collection of select home goods, designer and vintage items; PersonalizationMall.com, LLC, an industry-leading online retailer of personalized products; and certain assets of Chef Central, a retailer of kitchenware, cookware and homeware items catering to cooking and baking enthusiasts. In early fiscal 2017, the Company acquired Decorist, Inc., an online interior design platform that provides personalized home design services. In addition, the Company is a partner in a joint venture which operates stores in Mexico under the name Bed Bath & Beyond.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Time: 9:00 A.M. on Thursday, June 29, 2017

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

Items of Business:

(1) To elect 10 directors until the Annual Meeting in 2018 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 2017 fiscal year (Proposal 2).

(3) To consider the approval, by non-binding vote, of the 2016 compensation paid to the Company's Named Executive Officers (Proposal 3).

(4) To recommend, by non-binding vote, the frequency of future advisory votes on executive compensation (Proposal 4).

(5) To re-approve the performance goals under the Bed Bath & Beyond Inc. 2012 Incentive Compensation Plan (Proposal 5).

(6) 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 5, 2017.

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, 2017

Important Notice Regarding the Availability of Proxy Material for the Annual Meeting of Shareholders to be held on June 29, 2017: this Notice of the 2017 Annual Meeting of Shareholders, Proxy Statement and the Company's 2016 Annual Report are available at www.bedbathandbeyond.com/annualmeeting2017

To Our Fellow Shareholders & Beyond:

The state of retail today is filled with exciting opportunities to do more for and with our customers. Led by advances in technology and growth in digital capabilities, our industry is experiencing a dramatic shift in the way consumers search for, engage with, and ultimately purchase product. This democratization of shopping has given consumers more choice, more transparency and more convenience than ever. It also presents enormous possibilities for retailers, like us, to strengthen our competitive position and develop deeper and more personalized relationships with our customers.

Over the past several years, it is in this environment that we have been transforming our Company and evolving toward providing greater inspiration and a personal omnichannel shopping experience. Using a systematic and logical approach, we are making great progress in improving our capabilities every day.

During fiscal 2016 we made significant investments to advance our mission to be trusted by our customers as the expert for the home and “heart-related” life events. These include certain life events that evoke strong emotional connections such as getting married, moving to a new home, having a baby, going to college, and decorating a room. Our strategy is rooted in our customer-centric culture and commitment to customer service, and involves building and delivering a strong foundation of differentiated products, and services and solutions for our customers while driving operational excellence. We delivered revenues of over $12 billion in fiscal 2016, with net earnings per diluted share of $4.58. This marks the fifth consecutive year that we’ve been in a narrow earnings range since we entered a heavy investment phase several years ago. Despite the pressures on our operating profits during this time, we continue to produce some of the best returns in retail. This allows us to make the necessary investments to position Bed Bath & Beyond Inc. for future growth.

In support of our strategy, some of our initiatives during fiscal 2016 and today include:

- Pursued product differentiation across all of our concepts and product categories, including proprietary brands created by our own product development teams, and exclusive or limited-distribution items developed with our vendor partners. We also expanded our merchandise offerings through acquisition, including One Kings Lane, an online authority in home décor and design offering a unique collection of select home goods, designer and vintage items; PersonalizationMall.com, an industry-leading online retailer of personalized products, which expands our existing personalization and customization capabilities; and Chef Central, a retailer of kitchenware, cookware and homeware items catering to cooking and baking enthusiasts. We also introduced an evolving merchandised andThat! concept, designed to have a more local appeal and an ever-changing mix of differentiated and closeout merchandise, spanning categories such as home decor, seasonal, food, entertaining essentials and gifts. During fiscal 2016, we opened andThat! stores in Kennesaw, GA and Jacksonville, FL.
- Expanded and further differentiated our services and solutions offerings through enhancements to our customer-facing digital channels, including registry tools, search and navigation, inspirational content, design services, and interactive customer support. In March 2017, we enhanced our interior design consulting services with the purchase of Decorist, an online interior design platform that connects users to affordable, accessible and personalized home design services. Our long-standing commitment to customer service is a key differentiator for us. To support our efforts to provide best-in-class customer service across all of our channels, we plan to open an additional Customer Contact Center in Florida during fiscal 2017 that will supplement our other 24/7 operations in Utah, New Jersey and Massachusetts.
- Evolved our physical footprint with the integration of our digital capabilities to create a more experiential shopping environment and showcase the products, services and solutions we offer.
  - In January 2017, we celebrated the grand opening of Beyond at Liberty View, a unique shopping venue in the Liberty View Industrial Park in Brooklyn, NY, that includes four of our concepts. Customers can participate in product demonstrations, how-to-sessions, food sampling and cooking classes, as well as utilize our latest digital tools to assist them in finding the right merchandise for their home. The venue also includes a restaurant and other food stations featuring local fare.
  - During 2017, we plan to open our first Chef Central-inspired specialty department within our Bed Bath & Beyond store in Paramus, NJ, that will better serve our cooking and baking enthusiast customers and provide a more experiential shopping environment, including activities such as cooking classes and demonstrations.
- Expanded our supply chain network, including a new 800,000 square foot distribution facility in Lewisville, TX, to provide more flexible fulfillment options for our customers and to support anticipated growth across all of our retail channels. We are also pursuing same-day delivery services from certain Bed Bath & Beyond and buybuy BABY stores in several markets, as well as piloting third-party app-based delivery services from some of our Cost Plus World Market stores.

- Developed deeper relationships with our customers by leveraging our ever-expanding 360-degree view of our customer to tailor our target marketing techniques, and enhance our personalization capabilities both digitally and through traditional marketing media, including catalogs. To build awareness of our wide-ranging assortment of differentiated products, services and solutions for the home and our broad-based expertise, we published a series of inspirational catalogs, including our recent "Spring Refresh" and "Escape & Unwind" catalogs. We also launched a beta test for a new annual membership program called "Beyond-Plus" featuring a discount of 20% on all Bed Bath & Beyond purchases, as well as free standard shipping for one year at an annual fee of $29. In addition, we are building out and plan to open new creative and photo studios in Manhattan, NY, to leverage our in-house marketing capabilities as well as recently acquired expertise from One Kings Lane. We believe this initiative will give us greater control over our ability to produce more inspirational marketing content, and drive other operational efficiencies for the business.

In the short term, it can be difficult to assess the progress of a major transformation. And yet, when you look back after a few years, it becomes clear just how much has changed. The investments we have been making have made us significantly better.

Are we where we want to be? No, but that is because we are never satisfied and there is no finish line. However, we are a much better Company than we were three years ago or even 18 months ago. Cutting investments could produce better earnings in the short term, but we would not be a better company. We are not running our business for one quarter or for one year, but for the long term. We want to set ourselves up for continued greatness; this is why making these investments now is so important.

As we begin fiscal 2017, we anticipate that the retail environment will continue to reflect the ongoing shift in consumer shopping behavior to digital channels. There are also a number of external factors that could impact our results, over which we have no control, such as potential regulatory changes in the United States, including corporate tax reform, interest rate deductibility, a potential border adjustment tax and health care reform.

We believe that our experienced management team together with the other talented associates we have hired over the year, including those that have joined our Company in connection with an acquisition, have the ability and desire to further transform and grow our business. Achieving profitable growth in this exciting environment remains a priority.

We also benefit from the strategic guidance of an experienced and diverse Board of Directors. We would like to thank Board Director Geraldine T. Elliott, who will not be standing for reelection at this year's Annual Meeting, for her viewpoints, guidance and contributions to Bed Bath & Beyond during her years of service. The Board of Directors has nominated for election at the Company's 2017 Annual Meeting of Shareholders, Virginia P. Ruesterholz, a seasoned executive with prior experience as President of Verizon Telecom, and President of Verizon Services Operations, as well as Executive Vice President – Strategic Initiatives of Verizon Communications Inc. Among other things, Ms. Ruesterholz brings to the Board extensive senior leadership experience at a global organization, as well as broad experience with the type of strategic, operational and financial matters a public company encounters while executing a transformational business plan.

By focusing on our mission to be our customers' first choice for the home and "heart-related" life events, and remaining grounded in our culture obsessed with satisfying our customers, along with maintaining strong financial discipline, we believe we will continue to achieve long-term success. We remain passionate about our business and excited about the opportunities we see to do more for and with our customers in fiscal 2017 and beyond.

We would like to thank our nearly 65,000 associates including our new team members who have joined us from One Kings Lane, PersonalizationMall.com, Chef Central and Decorist, for their ongoing dedication and commitment to achieving our strategic objectives and improving our competitive position.

We are grateful to them and to you, our shareholders, for your continued trust, confidence and support of 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, 2017

2017 Proxy Statement

BED BATH &
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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 2017 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 2017 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	16
3. Advisory Vote on Executive Compensation	FOR	46
4. Advisory Vote on Frequency of Future Advisory Votes on Executive Compensation	FOR ONE YEAR	47
5. Re-Approval of Performance Goals Under the 2012 Incentive Compensation Plan	FOR	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/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
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
Virginia P. Ruesterholz	**	Retired Executive Vice President – Strategic Initiatives, Verizon Communications Inc.	Yes	

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

** Ms. Ruesterholz has been nominated for election as a director for a term commencing upon the conclusion of the 2017 Annual Meeting. See Election of Directors on page 8.

Corporate Governance Highlights

– Majority Independent Board – Separate Chair and CEO – Lead Independent Director – Independent Committee Members – >75% Board and Committee Attendance in Fiscal 2016 – Annual Election of All Directors – Majority Voting for Uncontested Director Elections – Executive Sessions for Independent Directors – Regular Director Meetings with Executive Management (in addition to the CEO) – Annual Board Self-Evaluations	– Stock Ownership Guidelines for CEO and Independent Directors – Strong Pay-For-Performance Philosophy – Extensive Shareholder Engagement – Adopted Shareholder Proxy Access – Adopted a Policy on Certain Future Severance Agreements – No Hedging with Respect to Company Securities – Restrictions on Pledging Company Securities – No Poison Pill – Compensation “Clawback” Policy – Comprehensive Policy of Ethical Standards for Business Conduct

Our Strategy

The state of retail today is filled with exciting opportunities to do more for and with our customers. Led by advances in technology and growth in digital capabilities, our industry is experiencing a dramatic shift in the way consumers search for, engage with, and ultimately purchase product. This democratization of shopping has given consumers more choice, more transparency and more convenience than ever. It also presents enormous possibilities for retailers, like us, to strengthen our competitive position and develop deeper and more personalized relationships with our customers.

Over the past several years, it is in this environment that we have been transforming our Company and evolving toward providing greater inspiration and a personal omnichannel shopping experience. Using a systematic and logical approach, we are making great progress in improving our capabilities every day.

During fiscal 2016 we made significant investments to advance our mission to be trusted by our customers as the expert for the home and “heart-related” life events. These include certain life events that evoke strong emotional connections such as getting married, moving to a new home, having a baby, going to college, and decorating a room. Our strategy is rooted in our customer-centric culture and commitment to customer service, and involves building and delivering a strong foundation of differentiated products, and services and solutions for our customers while driving operational excellence. We delivered revenues of over $12 billion in fiscal 2016, with net earnings per diluted share of $4.58. This marks the fifth consecutive year that we’ve been in a narrow earnings range since we entered a heavy investment phase several years ago. Despite the pressures on our operating profits during this time, we continue to produce some of the best returns in retail. This allows us to make the necessary investments to position Bed Bath & Beyond Inc. for future growth.

Shareholder Outreach—We Listened, Learned & Responded

Throughout each year, management and members of our Board engage with a significant portion of our shareholders. In addition to our day-to-day interactions with investors, we have expanded our shareholder engagement over time to include an ongoing outreach focused on governance, executive compensation and other topics suggested by our shareholders. Shareholder feedback, including through direct discussions and prior shareholder votes, as well as engagement with proxy advisory firms that represent the interests of a wide array of shareholders, is communicated to the Board periodically throughout the year. The feedback received through these engagement efforts has, in part, contributed to the steady enhancements made to our executive compensation program and governance policies over the past several years.

In preparation for our fiscal 2017 compensation decisions, and in light of the decline in the prior two-year say-on-pay votes, we reached out to representatives from a variety of our shareholders, including index funds, hedge funds, public pension funds, and actively-managed funds, representing more than 75% of our total shares outstanding. Over the past 12 months, representatives of the Compensation Committee and the Nominating and Corporate Governance Committee, along with management, engaged in face-to-face meetings and/or phone calls with, or received responsive feedback from shareholders representing approximately 56% of our total shares outstanding. In these conversations, we reviewed the Company's strategic priorities and recent enhancements to our fiscal 2016 executive compensation program. We also discussed and solicited feedback on our proposed and subsequently adopted responses to the two shareholder proposals that received majority support at the 2016 Annual Meeting and additional executive compensation changes planned for fiscal 2017.

Following this engagement, and in consideration of favorable feedback from shareholders regarding the incremental changes made to executive compensation in fiscal 2016, the Compensation Committee has taken the following actions to more aggressively emphasize long-term performance.

Fiscal 2017 Compensation Decisions

- Reduced the value of CEO target compensation from $16.9 million to $14.55 million, or by approximately 14% (second consecutive year of approximate 14% reduction in value of CEO target pay).

  This reflects a reduction of approximately $1 million in 2017 equity compensation awards, as well as a discount applied to the CEO's grant of 2017 Performance Stock Units (PSUs) by virtue of the newly required two-year post-vesting holding period described below.

  Since fiscal 2015, the value of annual CEO target compensation has been reduced from $19.6 million to $14.55 million, or by an aggregate of approximately 26%.
- Adopted two-year post-vesting holding period for the CEO of shares acquired on vesting of 2017 PSUs, net of withholding taxes, resulting in a reduction in the value of CEO equity compensation for fiscal 2017 by approximately $1.35 million.
- No increase in base salary of the CEO (fourth consecutive year of no increase in CEO base pay).
- Election by the Company's Co-Chairmen under their employment agreements to commence "senior status." Under their employment agreements, and as a result of reductions in their equity compensation by the Compensation Committee in consultation with the Co-Chairmen, their combined salary and equity has been reduced by approximately 50%, or approximately $3.1 million.
- Reduced compensation of non-employee directors, excluding fees for committee service and service as lead director, by 10%.
- No increase in target compensation for all executive officers and other senior officers reporting to the CEO, other than an increase in the value of equity awards for the Chief Financial Officer.
- No increase in total compensation for other executives, including all vice presidents, except four officers of subsidiaries who received adjustments based upon changes in their responsibilities since the acquisition of their respective subsidiaries, and newly promoted executives for fiscal 2017 who received increases in connection with their promotions.
- Amended the PSU performance-based equity program under the Company's 2012 Incentive Compensation Plan as follows:
  - Adjusted weighting of three-year and one-year performance goals from 50/50 to 75/25, respectively, continuing the trend of increasing the weighting of the three-year goals.
  - Modified three-year performance goal from a single Return on Invested Capital (ROIC) performance metric to include performance goals measuring both Earnings Before Interest and Taxes (EBIT) margin and ROIC relative to a peer group over the three-year period, with one-third subject to EBIT margin and two-thirds subject to ROIC.
  - Applied achievement ranges previously used for ROIC three-year performance goal to both EBIT margin (one- and three-year) performance tests and to ROIC (three-year) performance test, requiring an achievement percentage of 100-144% to earn 100% of the awards.
  - Adjusted the time vesting component of the PSUs to vest at the end of the same year the respective award is subject to the achievement of the performance goals.
  - Applied Total Shareholder Return (TSR) "Regulator" (adopted in 2016) 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.
- Maintained practice of not awarding cash bonuses.

Fiscal 2016 Compensation Decisions

- Reduced CEO target compensation from $19.6 million to $16.9 million, or by approximately 14%.
- No increase in base salary of the Company's CEO (third consecutive year of no increase in CEO base pay) and Co-Chairmen.
- Enhanced the rigor and amended our PSU performance-based equity program under the Company's 2012 Incentive Compensation 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, with the one-year performance goal being based on EBIT margin and the three-year performance goal being based on ROIC, in each case, relative to a peer group.
  - 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 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.

We believe that the steps outlined above – including the significant cuts in the value of total target compensation for our CEO; reductions of approximately 50% in salary and equity of our Co-Chairmen, who plan to remain involved with the business and affairs of our Company; a reduction of 10% in the compensation of our outside directors (excluding fees for committee meetings and serving as lead director); and no increases (with a single exception) in total compensation for all executive officers and other senior officers reporting to the CEO – show the responsiveness of our Board and Management to shareholder concerns expressed to us during our engagement discussions. We believe these decisions for fiscal 2016 and 2017 reflect the steady and continued enhancement of the alignment between our compensation programs and the long-term interests of our shareholders.

In addition to the compensation changes adopted in connection with shareholder engagement, we also had meaningful interactions with the sponsor of the proxy access proposal which garnered majority support at our 2016 Annual Meeting of Shareholders. The sponsor provided valuable insight to our Board of Directors, leading to the adoption of a proxy access bylaw which was acceptable to the sponsor as well as to our major shareholders with whom we discussed the bylaw.

Our Board of Directors also adopted a policy applying certain payout limits to future severance agreements for executive officers. This followed engagement with the sponsors of a 2017 shareholder proposal which mirrored a proposal that had also received majority support at our 2016 Annual Meeting. The Board was already working on such a policy in response to the 2016 shareholder vote when the 2017 proposal was received. The proposed policy was reviewed by the proponent, who subsequently withdrew their proposal, and the proposed policy was acceptable to our major shareholders with whom it was discussed.

Other Voting Matters

- Ratification of Appointment of Auditors: Shareholders are being asked to ratify the appointment of KPMG LLP to serve as independent auditors for fiscal 2017. 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.
- Advisory Vote on Frequency of Future Advisory Votes on Executive Compensation: Shareholders are being asked to recommend, by non-binding vote, the frequency of future advisory votes on executive compensation. When the question was last presented to our shareholders in 2011, shareholders recommended a frequency for such votes of once every year. After consideration, the Board of Directors recommends retaining this frequency.
- Re-Approval of Performance Goals Under 2012 Incentive Compensation Plan: Shareholders are being asked to re-approve the performance goals under the Company's 2012 Incentive Compensation Plan. We are not proposing any amendment to the terms of the 2012 Plan at this time. These performance goals must be shareholder approved to preserve, to the extent possible, the tax deductibility of certain awards made under the 2012 Plan in accordance with the terms of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the related regulations. The Board of Directors recommends that shareholders re-approve the performance goals under the 2012 Plan.

FAQs ABOUT THE 2017 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 2017 Annual Meeting of Shareholders and at any adjournment or adjournments.

This Proxy Statement, the proxy card and our 2016 Annual Report are being mailed starting May 31, 2017. The information regarding stock ownership and other matters in this Proxy Statement is as of the record date, May 5, 2017, unless otherwise indicated.

What may I vote on?

You may vote on the following proposals:

- election of 10 directors to hold office until the Annual Meeting in 2018 (Proposal 1);
- ratification of the appointment of KPMG LLP as independent auditors for the fiscal year ending March 3, 2018 ("fiscal 2017") (Proposal 2);
- consider the approval, by non-binding vote, of the 2016 compensation paid to the Company's Named Executive Officers (commonly known as a "say-on-pay" proposal) (Proposal 3);
- consider the frequency, by non-binding vote, of future advisory votes on executive compensation (Proposal 4);
- re-approval of the performance goals under the Company's 2012 Incentive Compensation Plan (Proposal 5).

THE BOARD RECOMMENDS THAT YOU VOTE:

- FOR the election of the 10 directors;
- FOR the ratification of the appointment of auditors;
- FOR the say-on-pay proposal;
- FOR ONE YEAR as the frequency of future say-on-pay votes; and
- FOR the re-approval of the performance goals under the Company's 2012 Incentive Compensation Plan.

Who may vote?

Shareholders of record of the Company's common stock at the close of business on May 5, 2017 are entitled to receive this notice and to vote their shares at the Annual Meeting. As of that date, there were 144,118,966 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 through any of the below methods.

Vote by Internet
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 proxy must be received by no later than 11:59 p.m. Eastern Time on June 28, 2017.

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 2017 Annual Meeting of Shareholders, a "FOR" vote by a majority of votes cast is required to (i) elect each nominee for director (Proposal 1), (ii) ratify the selection of KPMG LLP as the Company's independent auditors for fiscal 2017 (Proposal 2), (iii) approve, by non-binding vote, the say-on-pay proposal (Proposal 3), and (iv) re-approve the performance goals under the Company's 2012 Incentive Compensation Plan (Proposal 5).

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."

With respect to Proposal 1, the election of directors, if a nominee who is an incumbent director fails to receive a "FOR" vote by a majority of votes cast, then such nominee must immediately tender his or her resignation, and the Board will decide, through a process managed by the Nominating and Corporate Governance Committee (excluding from the process such nominee), whether to accept the resignation. In the event of such a situation, the Board intends to complete this process promptly after the Annual Meeting but no later than 90 days from the date of the certification of the election results. The Company will file a Form 8-K to disclose its decision and an explanation of such decision.

With respect to Proposal 4, the frequency of say-on-pay proposal, the alternative (every one year, two years or three years) that receives a majority of votes cast will be the frequency that shareholders approve. If no alternative receives a majority of votes cast, then the alternative receiving the greatest number of votes will be deemed the frequency that shareholders approve. With respect to Proposal 4, abstentions and broker non-votes shall not constitute votes cast.

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, Proposal 4, the frequency of say-on-pay proposal, and Proposal 5, the re-approval of the performance goals under the Company's 2012 Incentive Compensation Plan. 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, 2017, 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 of approximately $20,000 plus expenses, to assist in the solicitation of proxies. The Company will also 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 2016 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 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. 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 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 Company's Annual Meeting of 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 10 meetings during the fiscal year ended February 25, 2017 ("fiscal 2016"). 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 2016, all incumbent directors 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 2016 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
- strategic planning
- technology
- international business
- real estate
- leadership in large, complex organizations
- service on other public company boards

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 nine of the current members of the Board, and has nominated Virginia P. Ruesterholz to serve as an independent director, with all 10 individuals being nominated to serve for a one-year term expiring at the 2018 Annual Meeting. On April 5, 2017, Geraldine T. Elliott notified the Board of Directors of the Company of her decision not to stand for reelection as a director nominee at the Company's 2017 Annual Meeting of Shareholders. She will continue to serve on the Board through the end of her term, which will occur at the end of the 2017 Annual Meeting.

Information concerning our nominees as of the record date, and the key experience, qualifications and skills they bring to our Board is provided below. The Board of Directors recommends that the shareholders vote for the election of the 10 nominees as directors.

Warren Eisenberg — *Co-Founder and Co-Chairman*

Mr. Eisenberg, 86, 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, 80, 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 part of the senior leadership of the Company and bring to the Board, among other benefits, their experience in building the Company during its 46-year history and their overall experience in the retail industry, in each case for over 50 years. Although they have recently elected "senior status" under their respective employment agreements, the Company continues to benefit from their ongoing engagement in the management and affairs of the Company. More detail regarding their election of senior status is provided below under Compensation Arrangements for Messrs. Eisenberg and Feinstein.

Steven H. Temares — *Chief Executive Officer*

Steven H. Temares, 58, 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, 60, 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 10 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. He currently serves as a director of privately held AB Acquisition LLC, parent company of one of the largest food and drug retailers in the United States. Among other things, Mr. Adler has wide experience and involvement in commercial real estate including, in particular, retail real estate, as well as board-level experience with significant physical and online retail operations.

Stanley F. Barshay

Stanley F. Barshay, 77, 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.

Klaus Eppler

Klaus Eppler, 86, 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 40 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 R. Gaston, 59, is Chief Executive Officer of Gaston Consulting. His firm focuses on building public/private partnerships that address youth development and education. He also serves as an adjunct professor of business management at the Community College of Denver. From January 2013 through February 2016, he was President of the Western Union Foundation, which supports education and disaster relief efforts throughout the world. 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. He currently volunteers as a member on five non-profit boards.

Jordan Heller

Jordan Heller, 56, is Chief Executive Officer of Heller Wealth Advisors LLC. Prior to its spin-off in March 2008, Mr. Heller was a partner with The Schonbraun McCann Group LLP, currently FTI Consulting. Previously, he spent four years at American Economic Planning Group, Inc., currently AEPG Wealth Strategies, a provider of financial advisory services. Prior to entering the wealth management industry in 2000, Mr. Heller spent 15 years on Wall Street heading the Real Estate and Real Estate Finance Securities Research groups at several investment houses, including Merrill Lynch, Salomon Brothers and The Canadian Imperial Bank of Canada (CIBC). During this time, he played a leading role in the rebirth of the modern day REIT (Real Estate Investment Trust) industry. He began his career in 1982 as a public accountant at Price Waterhouse, currently Price WaterhouseCoopers or PwC.

He has been a director of the Company since 2003. From 2014 through February 2017, Mr. Heller served as a director of Equity One, Inc., a national shopping center owner and developer, which recently merged into Regency Centers. Among other things, Mr. Heller brings to the Board experience in and knowledge of various matters relevant to the Company and its business, including expertise in financial and economic matters, strategic planning, capital markets, mergers and acquisitions and real estate. 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, 64, is Executive Vice President & General Counsel of Edison Properties, LLC, a diversified real estate company with a broad set of mixed-use properties and retail operations in parking and mini-storage. She has served in this role 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, including acquisition, development, redevelopment, leasing and disposition, knowledge of the evolving issues facing retailers in a rapidly changing environment, as well as significant experience with a wide range of additional legal and regulatory areas relevant to the Company and its business.

Virginia P. Ruesterholz

Virginia P. Ruesterholz, 56, served as Executive Vice President—Strategic Initiatives of Verizon Communications Inc. from January 1, 2012 until her retirement in July 2012. From 2009 to 2011, she was President of Verizon Services Operations, a $10 billion global shared-services business group with over 25,000 employees that operated Verizon’s wireline network as well as the finance operations, real estate and supply chain services that supported all Verizon companies. Prior to 2009, Ms. Ruesterholz served as President of Verizon Telecom from 2006, where she led the $30 billion wireline unit that served Verizon’s domestic consumer, general business and wholesale markets, and where she also oversaw the U.S. rollout of the high-speed fiber optic network known as Fios®. She joined New York Telephone (a predecessor to Verizon Communications) as a manager in 1984 and served in positions of increasing responsibility during her career there and in its successor companies, up to her retirement. She serves on the Board of Directors of Frontier Communications Corporation and The Hartford Financial Services Group, Inc. She is also Chair of the Board of Trustees at Stevens Institute of Technology.

Among other things, Ms. Ruesterholz brings to the Board extensive senior leadership experience at a global organization, as well as broad experience with the type of strategic, operational and financial matters a public company encounters while executing a transformational business plan. Ms. Ruesterholz was identified as a possible nominee by the Company's Chief Executive Officer, and recommended to the Nominating and Corporate Governance Committee and the full Board by him and non-management directors who know the nominee professionally.

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.

Board Independence

The Board of Directors, upon the advice of the Nominating and Corporate Governance Committee, has determined that Ms. 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). Director Geraldine T. Elliott, whose term expires at the conclusion of the 2017 Annual Meeting of Shareholders and who is not standing for reelection, was also determined to be independent. Ms. Ruesterholz, nominated for election to the Board at this meeting, has also been determined to meet the above standards of independence. These determinations were based on the fact that each of these individuals 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 2016 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. 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 approximately 1% 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. As noted above, Ms. Elliott is not standing for reelection to the Company's Board of Directors at its 2017 Annual Meeting of Shareholders.

- During fiscal 2016, the Company leased 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 served during fiscal 2016. Equity One merged with Regency Centers Corporation on February 28, 2017. Mr. Heller does not serve on the Board of Directors of the surviving entity. The rental income from these stores represented approximately 2.4% 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. 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 eight meetings during fiscal 2016. 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, Chief Executive Officer (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 10 meetings during fiscal 2016. 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, including the Company's shareholders and has established procedures to do so. Shareholders may recommend nominees to the Committee by submitting the names and supporting information in writing to the Secretary of the Company at 650 Liberty Avenue, Union, New Jersey 07083. 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. The Nominating and Corporate Governance Committee held one meeting during fiscal 2016. 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 2016, 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 2016 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, 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, 2016 through July 1, 2017, at a total cost of approximately $307,000. The primary current carrier is Arch Insurance Company. The excess carriers are American International Group, Inc., XL Specialty Insurance Company, and Old Republic International Corporation. Although no assurances can be provided, the Company intends to maintain directors and officers coverage from July 1, 2017 through July 1, 2018.

Compensation of Directors

The Director Compensation Table provides compensation information for each member of our Board of Directors during fiscal 2016, other than Steven H. Temares, whose compensation is reflected in the Summary Compensation Table. Messrs. Temares, Eisenberg and Feinstein did not receive any director fees for fiscal 2016, since they received compensation in their capacity as executives of the Company. The compensation as executives of Messrs. Eisenberg and Feinstein is included in the Director Compensation Table since their compensation is not reflected in the Summary Compensation Table.

Annual director fees for fiscal 2016 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 $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, other than Messrs. Temares, Eisenberg and Feinstein, 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 2016 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 2016.

For fiscal 2017, the Company reduced compensation of non-employee directors, excluding fees for committee service and service as lead director, by approximately 10%.

As described above and more fully below, the following table summarizes the annual compensation for the directors, other than Mr. Temares, during fiscal 2016. Additionally, the employment agreements for Messrs. Eisenberg and Feinstein are discussed below.

	Fees Earned or Paid in Cash($)	Stock Awards ($)(2)(3)	Option Awards ($)(2)(4)	All Other Compensation ($)	Total ($)
Warren Eisenberg	—	1,500,003	500,010	1,246,243(5)	3,246,256
Leonard Feinstein	—	1,500,003	500,010	1,264,863(6)	3,264,876
Dean S. Adler	112,500(1)	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(7)	90,000	—	—	200,000
Jordan Heller	110,000	90,000	—	—	200,000
Victoria A. Morrison	112,500	90,000	—	—	202,500

(1) Mr. Adler's 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 $41.105 per share, the average of the high and low trading prices on December 23, 2016.

(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 Note 13 to the Company's financial statements in the Company's Form 10-K for fiscal 2016. 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 directors.

(3) Except with respect to Messrs. Eisenberg and Feinstein, this represents the value of 2,069 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 2016 Annual Meeting of Shareholders ($43.50 per share, the average of the high and low trading prices on July 1, 2016), 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 non-employee director as of February 25, 2017. With respect to Messrs. Eisenberg and Feinstein, this represents a grant of performance stock unit ("PSU") awards. Please see Compensation Discussion and Analysis for a description of the PSU awards. 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 $2,250,028 for each of Messrs. Eisenberg and Feinstein. For PSUs granted in fiscal 2016, the one-year performance-based test was met at the 100% target. As of February 25, 2017, each of Messrs. Eisenberg and Feinstein had 12,954 shares of unvested restricted stock and 16,585 shares underlying unvested PSU awards that have satisfied the applicable performance-based test. Additionally, each of Messrs. Eisenberg and Feinstein had 16,474 unvested PSU awards, subject to a one-year performance goal, and 27,777 PSU awards, subject to a three-year performance goal, which, in each case, had not had satisfaction of the applicable performance-based test certified as of the end of fiscal 2016.

(4) As of February 25, 2017, each of Messrs. Eisenberg and Feinstein had 122,003 shares underlying unexercised options that were exercisable and 64,509 shares underlying unexercised options that were unexercisable.

(5) All Other Compensation for Mr. Eisenberg includes salary of $1,100,000, incremental costs to the Company for tax preparation services of $30,438, car service of $83,820 and car allowance of $24,035, and an employer nonqualified deferred compensation plan matching contribution of $7,950.

(6) All Other Compensation for Mr. Feinstein includes salary of $1,100,000, incremental costs to the Company for tax preparation services of $30,437, car service of $90,621 and car allowance of $35,855, and an employer nonqualified deferred compensation plan matching contribution of $7,950.

(7) Fifty percent of Mr. Gaston's 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).

Compensation Arrangements for Messrs. Eisenberg and Feinstein

Messrs. Eisenberg's and Feinstein's compensation for fiscal 2016 was based on their employment agreements with the Company. These agreements provided for salaries at the rate of $800,000 per year which may be increased from time to time by the Company. The annual salary for each of Messrs. Eisenberg and Feinstein in fiscal 2016 was $1,100,000, unchanged since 2004. Under these agreements, each of Messrs. Eisenberg and Feinstein could 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. 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.

On May 11, 2017, Messrs. Eisenberg and Feinstein notified the Company that they elected to commence their Senior Status Period, effective May 21, 2017. Consequently, their annual salary will be reduced to $550,000 each, which represents 50% of their average salary over the three-year period prior to the election, and in consultation with these executives, the Compensation Committee has reduced the aggregate value of their equity compensation for 2017 by 50% through the elimination of stock options and the reduction in the value of their PSU grants by approximately one-third.

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.

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 10 NOMINEES AS DIRECTORS.

PROPOSAL 2—RATIFICATION OF THE APPOINTMENT OF AUDITORS FOR FISCAL 2017

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 2017, 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 2016 and the fiscal year ended February 27, 2016 ("fiscal 2015") were as follows:

	2016	2015
Audit Fees	$1,404,000	$1,214,000
Tax Fees	18,000	61,000
All Other Fees	3,000	3,000
	$1,425,000	$1,278,000

In fiscal 2016 and fiscal 2015, 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 2016, "Audit Fees" also include fees for additional procedures due to the acquisitions of One Kings Lane, Inc., PersonalizationMall.com, LLC, and certain assets of Chef Central. In fiscal 2016 and fiscal 2015, "Tax Fees" included fees associated with tax planning, tax compliance (including review of tax returns) and tax advice (including tax audit assistance). In addition to fees for audit and non-audit services, in fiscal 2016 and 2015, the Company paid a subscription fee for a KPMG sponsored research product, reflected above in "All Other Fees." The Audit Committee has concluded that the provision of the foregoing services and products is compatible with maintaining KPMG LLP's independence.

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 2016 and fiscal 2015, 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 25, 2017

The Board of Directors has determined that the members of the Audit Committee meet 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. 1301, ''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 25, 2017, filed with the SEC on April 25, 2017.

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 2017.

EXECUTIVE COMPENSATION

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 2016 for filing with the SEC.

The foregoing report is provided by the following directors, who constitute the fiscal 2016 Compensation Committee:

COMPENSATION COMMITTEE

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

Compensation Discussion and Analysis (CD&A)

Introduction

In this section, we describe our executive compensation philosophy and program. We also discuss significant changes made to our executive compensation program for 2017 after consideration of input from our shareholders, including:

- Reduction in the value of CEO target compensation from $16.9 million to $14.55 million, or by approximately 14% (second consecutive year of approximate 14% reduction in the value of CEO target pay).

  This reflects a reduction of approximately $1 million in 2017 equity compensation awards, as well as a discount applied to the CEO's grant of 2017 PSUs by virtue of the newly required two-year post-vesting holding period.

  Since fiscal 2015, the value of annual CEO target compensation has been reduced from $19.6 million to $14.55 million, or by an aggregate of approximately 26%.

- No increase in base salary of the CEO (fourth consecutive year of no increase in CEO base pay).
- A reduction of approximately 50% in the combined salary and equity (aggregating approximately $3.1 million) of Warren Eisenberg and Leonard Feinstein, the Company's Co-Chairmen, resulting from their election of "senior status" and reductions in equity compensation determined by the Compensation Committee in consultation with Messrs. Eisenberg and Feinstein. The Co-Chairmen plan to remain engaged in the business and affairs of the Company.
- Reduction in the compensation of non-employee directors, excluding fees for committee service and service as lead director, by 10%.
- No increase (with a single exception) in target compensation for all executive officers and other senior officers reporting to the CEO.
- No increase in total compensation for other executives, including all vice presidents, except four officers of subsidiaries who received adjustments based upon changes in their responsibilities since the acquisition of their respective subsidiaries, and newly promoted executives for fiscal 2017 who received increases in connection with their promotions.
- Continued increased weighting of the three-year performance goals for PSUs, by adjusting the weighting of three-year and one-year performance goals from 50/50 to 75/25, respectively.

This CD&A is organized as follows:

- **Executive Summary** (page 19) includes our executive compensation philosophy and objectives, an overview of our strategy, and some highlights of our fiscal 2016 operational and financial performance.
- **Shareholder Outreach & Response** (page 21) presents a summary of our ongoing efforts to engage with shareholders to better understand their interests, concerns and suggestions.
- **Fiscal 2017 Executive Compensation Program Decisions** (page 24) describes significant changes 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 26) explains our compensation design process and the elements of our Named Executive Officer (NEO) compensation, which are heavily weighted toward performance-based compensation; provides a review of the senior executive compensation for fiscal 2016, including other benefits and considerations; and presents the required Summary Compensation Table, as well as alternative analyses of CEO compensation.
- **Performance Goals and Equity Awards** (page 32) presents our performance under our equity incentive program for the fiscal 2014 three-year performance goal based on ROIC relative to a peer group, and for the fiscal 2016 one-year performance goal based on EBIT margin relative to a peer group.

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 compensation consultant and independent counsel. 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 executive officers is approximately 34 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 have 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 also support such stability, including PSUs that vest upon the achievement of performance goals and generally vest over three years and stock options that generally vest over five years.

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 Compensation 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. As discussed in detail below, this compensation structure is performing as designed, such as a comparison of our CEO's Granted Pay Opportunity to Realizable Pay over the most recent three-year period, shows the value of Realizable Pay to be 39% less than the Granted Pay Opportunity, resulting from the decline in the Company's stock price over a similar period. (For further detail, see the graph and explanatory notes in the Supplemental Compensation Analysis below.) We believe the significant changes to our executive compensation program implemented for fiscal 2017 more aggressively emphasize long-term performance.

It continues to be a transitional time for retail. New advances in technology are creating opportunities for our customers to shop in a more seamless environment, and for us to do more for and with our customers and connect with them in a more personalized manner. Within this environment, we have been working continuously to evolve our Company and expand the breadth of the differentiated products, services and solutions we offer our customers. By providing real answers to our customers' needs at the right time and at the right value, we can further strengthen our position as the customer's first choice for the home and heart-related life events and continue to achieve long-term success.

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 Inc. as a world-class omnichannel retailer.

Our Strategy

The state of retail today is filled with exciting opportunities to do more for and with our customers. Led by advances in technology and growth in digital capabilities, our industry is experiencing a dramatic shift in the way consumers search for, engage with, and ultimately purchase product. This democratization of shopping has given consumers more choice, more transparency and more convenience than ever. It also presents enormous possibilities for retailers, like us, to strengthen our competitive position and develop deeper and more personalized relationships with our customers.

Over the past several years, it is in this environment that we have been transforming our Company and evolving toward providing greater inspiration and a personal omnichannel shopping experience. Using a systematic and logical approach, we are making great progress in improving our capabilities every day.

Our Performance

During fiscal 2016 we made significant investments to advance our mission to be trusted by our customers as the expert for the home and "heart-related" life events. These include certain life events that evoke strong emotional connections such as getting married, moving to a new home, having a baby, going to college, and decorating a room. Our strategy is rooted in our customer-centric culture and commitment to customer service, and involves building and delivering a strong foundation of differentiated products, and services and solutions for our customers while driving operational excellence. We delivered revenues of over $12 billion in fiscal 2016, with net earnings per diluted share of $4.58. This marks the fifth consecutive year that we've been in a narrow earnings range since we entered a heavy investment phase several years ago. Despite the pressures on our operating profits during this time, we continue to produce some of the best returns in retail. This allows us to make the necessary investments to position Bed Bath & Beyond Inc. for future growth.

In support of our strategy, some of our initiatives during fiscal 2016 and today include:

- Pursued product differentiation across all of our concepts and product categories, including proprietary brands created by our own product development teams, and exclusive or limited-distribution items developed with our vendor partners. We also expanded our merchandise offerings through acquisition, including One Kings Lane, an online authority in home décor and design offering a unique collection of select home goods, designer and vintage items; PersonalizationMall.com, an industry-leading online retailer of personalized products, which expands our existing personalization and customization capabilities; and Chef Central, a retailer of kitchenware, cookware and homeware items catering to cooking and baking enthusiasts. We also introduced an evolving merchandised andThat! concept, designed to have a more local appeal and an ever-changing mix of differentiated and closeout merchandise, spanning categories such as home decor, seasonal, food, entertaining essentials and gifts. During fiscal 2016, we opened andThat! stores in Kennesaw, GA and Jacksonville, FL.
- Expanded and further differentiated our services and solutions offerings through enhancements to our customer-facing digital channels, including registry tools, search and navigation, inspirational content, design services, and interactive customer support. In March 2017, we enhanced our interior design consulting services with the purchase of Decorist, an online interior design platform that connects users to affordable, accessible and personalized home design services. Our long-standing commitment to customer service is a key differentiator for us. To support our efforts to provide best-in-class customer service across all of our channels, we plan to open an additional Customer Contact Center in Florida during fiscal 2017 that will supplement our other 24/7 operations in Utah, New Jersey and Massachusetts.
- Evolved our physical footprint with the integration of our digital capabilities to create a more experiential shopping environment and showcase the products, services and solutions we offer.

- In January 2017, we celebrated the grand opening of Beyond at Liberty View, a unique shopping venue in the Liberty View Industrial Park in Brooklyn, NY, that includes four of our concepts. Customers can participate in product demonstrations, how-to-sessions, food sampling and cooking classes, as well as utilize our latest digital tools to assist them in finding the right merchandise for their home. The venue also includes a restaurant and other food stations featuring local fare.
- During 2017, we plan to open our first Chef Central-inspired specialty department within our Bed Bath & Beyond store in Paramus, NJ, that will better serve our baking and cooking enthusiast customers and provide a more experiential shopping environment, including activities such as cooking classes and demonstrations.

- Expanded our supply chain network, including a new 800,000 square foot distribution facility in Lewisville, TX, to provide more flexible fulfillment options for our customers and to support anticipated growth across all of our retail channels. We are also pursuing same-day delivery services from certain Bed Bath & Beyond and buybuy BABY stores in several markets, as well as piloting third-party app-based delivery services from some of our Cost Plus World Market stores.
- Developed deeper relationships with our customers by leveraging our ever-expanding 360-degree view of our customer to tailor our target marketing techniques, and enhance our personalization capabilities both digitally and through traditional marketing media, including catalogs. To build awareness of our wide-ranging assortment of differentiated products, services and solutions for the home and our broad-based expertise, we published a series of inspirational catalogs, including our recent “Spring Refresh” and “Escape & Unwind” catalogs. We also launched a beta test for a new annual membership program called “Beyond-Plus” featuring a discount of 20% on all Bed Bath & Beyond purchases, as well as free standard shipping for one year at an annual fee of $29. In addition, we are building out and plan to open new creative and photo studios in Manhattan, NY, to leverage our in-house marketing capabilities as well as recently acquired expertise from One Kings Lane. We believe this initiative will give us greater control over our ability to produce more inspirational marketing content, and drive other operational efficiencies for the business.

Select financial highlights for Fiscal 2016:

- Net sales of $12.2 billion, representing an increase of approximately 0.9% compared to fiscal 2015.
- Comparable sales of $11.7 billion, representing a decline from the prior year of approximately 0.6%.
- Comparable sales from customer-facing digital channels grew in excess of 20% compared to the prior year.
- Diluted EPS of $4.58.
- Capital Expenditures of approximately $374 million, including a significant portion for enhancements to the Company’s customer-facing digital channels.
- Generated approximately $1.0 billion in net cash from operations and returned approximately $603 million to shareholders through share repurchase and dividend payments.
- Subsequent to fiscal 2016, the Board authorized a quarterly dividend of $0.15 per share up from $0.125 per share.

For more information regarding our fiscal 2016 financial performance, see our Annual Report on Form 10-K for fiscal 2016 filed with the SEC on April 25, 2017.

Shareholder Outreach & Response

Throughout each year, management and members of our Board engage with a significant portion of our shareholders. In addition to our day-to-day interactions with investors, we have expanded our shareholder engagement over time to include an ongoing outreach focused on governance, executive compensation and other topics suggested by our shareholders. Shareholder feedback, including through direct discussions and prior shareholder votes, as well as engagement with proxy advisory firms that represent the interests of a wide array of shareholders, is communicated to the Board periodically throughout the year. The feedback received through these engagement efforts has, in part, contributed to the steady enhancements made to our executive compensation program and governance policies over the past several years.

In preparation for our 2017 compensation decisions, and in light of the declines in the prior two-year say-on-pay votes, we reached out to a variety of our shareholders, including index funds, hedge funds, public pension funds, and actively-managed funds, representing more than 75% of our total shares outstanding. Over the past 12 months, representatives of the Compensation Committee and Nominating and Corporate Governance Committee, along with management, engaged in face-to-face meetings and/or phone calls with, or received responsive feedback from, shareholders representing approximately 56% of our total shares outstanding. In these conversations, we reviewed the Company’s strategic priorities and recent enhancements to our executive compensation program. We also discussed and solicited feedback on our proposed and subsequently adopted responses to the two shareholder proposals that received majority support at the 2016 Annual Meeting and additional executive compensation changes planned for fiscal 2017.

Key feedback included the following:

<table>
<tr><th>Shareholder Feedback</th><th>Our Responses</th></tr>
<tr><td>Concerns regarding magnitude of CEO pay and desire to further improve pay-for-performance alignment.

Overall positive feedback regarding the incremental changes made to the fiscal 2016 executive compensation program (included in 2016 Proxy Statement) and acknowledgement by many shareholders that these changes were not factored into their votes last year on the Company's fiscal 2015 executive compensation program.</td><td>Since fiscal 2015, the value of annual CEO target compensation has been reduced by approximately $5.1 million or 26%.

The Compensation Committee's receptiveness and continued responsiveness to shareholder concerns is reflected in their fiscal 2017 executive compensation decisions which more aggressively emphasize long-term performance and include: a further 14% reduction in the value of total target compensation for our CEO, reductions of approximately 50% in salary and equity of our Co-Chairmen, a 10% reduction in the compensation of our outside directors (excluding fees for committee meetings and serving as lead director), no increases (with a single exception) in target compensation for all executive officers and other senior officers reporting to the CEO, and enhanced alignment of our PSU performance-based equity program.

Fiscal <u>2017</u> Compensation Decisions:

• Reduced the value of CEO target compensation from $16.9 million in fiscal 2016 to $14.55 million in fiscal 2017, or by approximately 14%.

This reflects a reduction of approximately $1 million in 2017 equity compensation awards, as well as a discount applied to the CEO's grant of 2017 PSUs by virtue of the newly required two-year post-vesting holding period described below.

• Adopted two-year post-vesting holding period for the CEO of shares acquired on vesting of 2017 PSUs, net of withholding taxes, resulting in a reduction in the value of CEO equity compensation of approximately $1.35 million.

• No increase in base salary of CEO (fourth consecutive year of no increase in CEO base pay).

• Election by the Company's Co-Chairmen under their employment agreements to commence "senior status." Under their employment agreements, and as a result of reductions in their equity compensation by the Compensation Committee in consultation with the Co-Chairmen, their combined salary and equity has been reduced by approximately 50%, or approximately $3.1 million.

• Reduced compensation of non-employee directors, excluding fees for committee service and service as lead director, by 10%.

• No increase in target compensation for all executive officers and other senior officers reporting to the CEO, other than an increase in the value of equity awards for the Chief Financial Officer.

• No increase in total compensation for other executives, including all vice presidents, except four officers of subsidiaries who received adjustments based upon changes in their responsibilities since the acquisition of their respective subsidiaries, and newly promoted executives for fiscal 2017 who received increases in connection with their promotions.

• Maintained practice of not awarding cash bonuses.

Fiscal <u>2016</u> Compensation Decisions:

• Reduced CEO target compensation from $19.6 million to $16.9 million, or by approximately 14%.

• No increase in base salary for our CEO, marking third consecutive year.</td></tr>
</table>

Shareholder Feedback	Our Responses
Favorable response to adjustments in weightings for the one-year and three-year PSU performance goals and desire to further expand weighting of three-year goal.	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 services by the executives. *Fiscal 2017 Compensation Decisions:* • Amended the PSU performance-based equity program as follows: ○ Adjusted weighting of three-year and one-year performance goals from 50/50 to 75/25, respectively, continuing the trend of increasing the weighting of the three-year goal. ○ Modified three-year performance goal from a single ROIC performance metric to include performance goals measuring both EBIT margin and ROIC relative to a peer group over the three-year period, with one-third subject to EBIT margin and two-thirds subject to ROIC. ○ Applied achievement ranges previously used for ROIC three-year performance goal to both the EBIT margin (one- and three-year) performance test and the ROIC (three-year) performance test, requiring an achievement percentage of 100-144% to earn 100% of the awards. ○ Adjusted the time vesting component of the PSUs to vest at the end of the same year the respective award is subject to the achievement of the performance goals. ○ Adopted two-year post-vesting holding period for the CEO of shares acquired on vesting of 2017 PSUs, net of withholding taxes, resulting in an additional reduction in the value of CEO equity compensation of approximately $1.35 million. ○ Applied Total Shareholder Return (TSR) "Regulator" (adopted in 2016) 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. *Fiscal 2016 Compensation Decisions:* • Amended the PSU performance-based equity program as follows: ○ Adjusted 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. ○ Applied stricter 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 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.
Shareholders are supportive of a severance policy that caps certain benefits at no more than 2.99 times salary for future severance agreements.	Following shareholder engagement after the 2016 Annual Meeting, the Board of Directors has adopted a severance agreement policy that limits certain severance benefits to no more than 2.99 times the sum of the executive's base salary plus non-equity incentive plan payment or other annual non-equity bonus or award, without seeking shareholder ratification of the agreement. This policy would be applied to new agreements for executive officers. The proposed policy was reviewed by the proponent, who subsequently withdrew their proposal, and the proposed policy was acceptable to our major shareholders with whom it was discussed.

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 2017 Executive Compensation Program Decisions

The Compensation Committee continues to believe that a combination of PSUs (including an EBIT margin performance metric requiring fiscal discipline in the short-term and long-term, and an ROIC performance metric that measures the return on investments made over the long term to address a rapidly changing industry with vesting that extends generally over a one to three year period), together with stock options (vesting over 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 the Company's most recent say-on-pay votes, and after discussions among all the directors, the Compensation Committee and Board of Directors made more aggressive changes to the Company's executive compensation program for fiscal 2017, building on changes made during the prior three years. The Compensation Committee believes these changes further strengthen the direct link between pay and performance.

Summary of Executive Compensation and Relevant Governance Changes

The Compensation Committee has made significant changes to the Company's executive officer compensation program over the past four years.

Fiscal Year 2017

- Reduced the value of CEO target compensation from $16.9 million to $14.55 million, or by approximately 14%.

  This reflects a reduction of approximately $1 million in 2017 equity compensation awards, as well as a discount applied to the CEO's grant of 2017 PSUs by virtue of the newly required two-year post-vesting holding period described below.

  Since fiscal 2015, the value of annual CEO target compensation has been reduced from $19.6 million to $14.55 million, or by an aggregate of approximately 26%.
- Adopted two-year post-vesting holding period for the CEO of shares acquired on vesting of 2017 PSUs, net of withholding taxes, resulting in a reduction in the value of CEO equity compensation of approximately $1.35 million.
- No increase in base salary of the CEO (fourth consecutive year of no increase in CEO base pay).
- Election by the Company's Co-Chairmen under their employment agreements to commence "senior status." Under their employment agreements, and as a result of reductions in their equity compensation by the Compensation Committee in consultation with the Co-Chairmen, their combined salary and equity has been reduced by approximately 50%, or approximately $3.1 million.
- Reduced compensation of non-employee directors, excluding fees for committee service and service as lead director, by 10%.
- No increase in target compensation for all executive officers and other senior officers reporting to the CEO, other than an increase in the value of equity awards for the Chief Financial Officer.
- No increase in total compensation for other executives, including all vice presidents, except four officers of subsidiaries who received adjustments based upon changes in their responsibilities since the acquisition of their respective subsidiaries, and newly promoted executives for fiscal 2017 who received increases in connection with their promotions.
- Amended the PSU performance-based equity program as follows:
  - Adjusted weighting of three-year and one-year performance goals from 50/50 to 75/25, respectively, continuing the trend of increasing the weighting of the three-year goal.
  - Modified three-year performance goal from a single ROIC performance metric to include performance goals measuring both EBIT margin and ROIC relative to a peer group over the three-year period, with one-third subject to EBIT margin and two-thirds subject to ROIC.
  - Applied achievement ranges previously used for ROIC three-year performance goal to both the EBIT margin (one- and three-year) performance tests and the ROIC (three-year) performance test, requiring an achievement percentage of 100-144% to earn 100% of the awards.
  - Adjusted the time vesting component of the PSUs to vest at the end of the same year the respective award is subject to the achievement of the performance goals.
  - Applied TSR "Regulator" (adopted in 2016) 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.
- Maintained practice of not awarding cash bonuses.
- The Board of Directors adopted a policy that limits certain severance benefits to no more than 2.99 times the sum of the executive's base salary plus non-equity incentive plan payment or other annual non-equity bonus or award, without seeking shareholder ratification of the agreement. This policy would be applied to new agreements for executive officers.

Fiscal Year 2016

• Reduced CEO target compensation from $19.6 million to $16.9 million, or by approximately 14%.
• No increase in base salary of the Company's CEO (third consecutive year of no increase in CEO base pay) and Co-Chairmen.
• Enhanced the rigor of and amended our PSU performance-based equity plan as follows:
  o 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.
  o 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.
  o Applied a 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.
  o Adjusted the vesting periods for PSUs to maintain a rate of equal vesting over four years, if performance goals are met.
• Maintained practice of not awarding cash bonuses.

Fiscal Year 2015
• CEO annual base salary amount remained unchanged since 2014 (second consecutive year of no increase). • Maintained practice of not awarding cash bonuses.
Fiscal Year 2014

• No increase in base salary for the Company's CEO or Co-Chairmen.
• Maintained practice of not awarding cash bonuses.
• Revised performance-based equity plan with the following components:
  o One-year performance test based upon EBIT margin relative to a retail industry peer group, which awards vest in three equal annual installments from date of grant.
  o Three-year performance test based upon ROIC relative to a retail industry peer group, which awards vest four years after grant.
• 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).
• In addition, the Board of Directors adopted the following:
  o 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.
  o 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.

Below is a summary of our executive compensation and governance 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.

What We Do	
Provide a significant majority of pay in equity and performance-based compensation.	Use an independent compensation consulting firm and independent counsel, both of which provide no other services to Bed Bath & Beyond.
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.
Require two-year post-vesting holding period for CEO shares acquired on vesting of 2017 PSUs, net of withholding taxes.	Subject incentive pay to compensation recovery "claw-back" policy.
Include caps on individual payouts in incentive plans.	Limit outside board memberships.
Have a lead director and a high proportion of independent directors.	
What We Don't Do	
Design compensation programs using cash bonuses, to avoid short-term thinking.	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 NEOs and certain other executives. Gallagher has not served the Company in any other capacity except as consultant 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 (Chadbourne), 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 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 2016.

Under the direction of the Compensation Committee, the compensation review included a peer group competitive market analysis 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 2016 compensation, consisted of 18 retail companies of a size range based on revenue and net income relatively closely aligned with the Company's revenue and net income. The peer group was modified from fiscal 2015 to fiscal 2016 with a net decrease of one company. The following companies were added: Dollar Tree, Inc., Office Depot, Inc. and Williams-Sonoma, Inc. The following companies were removed: Family Dollar Stores Inc., PetSmart Inc., The TJX Companies, Inc. and Starbucks Corporation.

The 18 company peer group consisted of the following companies at the time of the analysis:

Advance Auto Parts, Inc.	Kohl's Corporation
AutoZone, Inc.	L Brands, Inc.
Dick's Sporting Goods, Inc.	Macy's, Inc.
Dillard's, Inc.	Nordstrom, Inc.
Dollar General Corporation	Office Depot, Inc.
Dollar Tree, Inc.	O'Reilly Automotive, Inc.
Foot Locker, Inc.	Ross Stores, Inc.
GameStop Corp.	Staples, Inc.
The Gap, Inc.	Williams-Sonoma, Inc.

Gallagher conducted a compensation review for all executive officers, including the NEOs, and for certain other key executives. Gallagher benchmarked the NEOs' total compensation and separately their cash compensation against data from the 18 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 the grants of PSUs, the Compensation Committee, with assistance from Gallagher, adopted a wider peer group of 46 retail companies against which the performance goals will be measured. This larger peer group includes all of the 18 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 Mr. Temares for fiscal 2016 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 NEOs for fiscal 2016, other than Mr. Temares, was determined by the Compensation Committee, taking into account the recommendations of the Co-Chairmen, CEO and Gallagher, and 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 2015, the strategic investments being made to position the Company for long-term growth, its relative performance in its industry, and the decline in the prior year say-on-pay vote, and other factors, the Compensation Committee determined that the NEOs of the Company should receive the total compensation packages for fiscal 2016, further described below. Subsequently, the Compensation Committee made more aggressive changes to the executive compensation program for fiscal 2017.

Elements of Compensation

The Company seeks to provide total compensation packages to its associates, including its NEOs, which implement its compensation philosophy. As described above, the Company places greater emphasis in the compensation packages for NEOs on equity incentive compensation rather than 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 35).

Base Salary

The Company pays base salaries to provide its NEOs 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 NEOs are appropriate taking into consideration factors including that the Company does not pay annual cash bonuses.

Equity Compensation

PSUs

In fiscal 2014, the Company redesigned its equity incentive program for its NEOs 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 fiscal 2014 and fiscal 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. In fiscal 2016, the Compensation Committee shifted the weighting of the PSU awards to create more emphasis on the longer-term goal, such that 50% of the PSU awards were subject to the one-year EBIT margin goal and 50% were subject to the three-year ROIC (subsequently changed for fiscal 2017 to 25% for the one-year goal and 75% for the three-year goals further increasing the weighting of the three-year goal). In addition, the Compensation Committee applied a stricter minimum performance level to achieve target payout for PSUs subject to the three-year performance goal by increasing the achievement percentage from 80-164% to 100-144%, to earn 100% payment, and also applied a Total Shareholder Return (TSR) “Regulator” to the 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. 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 fiscal 2016 one-year relative EBIT margin goal and the three-year relative ROIC goal, 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. A TSR “Regulator” caps PSU awards at 100% of the target if the Company’s TSR over the performance period is negative.

PSUs Subject to One-Year EBIT Margin Goal for 2016 (50% Weighting)		PSUs Subject to Three-Year ROIC Margin Goal for 2016 (50% Weighting)	
Vesting: 50% year 1, 50% year 2		Vesting: 50% year 3, 50% 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%	145-179%	110%
125-184%	100%	100-144%	100%
100-124%	90%	70-99%	90%
80-99%	75%	60-69%	75%
70-79%	50%	50-59%	50%
60-69%	25%	40-49%	25%
<60%	0%	<40%	0%

For fiscal 2017, the Compensation Committee adjusted the EBIT margin achievement threshold for the EBIT margin component of the PSUs for the one-year and three-year performance periods to align with the ROIC thresholds.

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 2016 for all executive officers, including the NEOs, 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 2016, the Company allocated at least two-thirds of the value of equity compensation granted to all executive officers, including the NEOs, 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 NEOs and in large measure directly aligns compensation of its NEOs 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 described 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 NEOs remaining in the Company's service on specified vesting dates.

Time Vested Restricted Stock

All executives (other than NEOs) 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 vesting with no performance-based test.

All 2016 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 CEO, Co-Chairmen, other NEOs and the other senior executives believed to be the most important and influential in determining the continued success of the Company. Compensation decisions, including equity grants are generally made on May 10th of each year, or the next business day if that date falls on a weekend, in connection with annual reviews. Equity grants are made pursuant to procedures established by the Compensation Committee which are available for review in the governance documents found on the Company's website in the investor relations section.

In the spring of 2016, when the Compensation Committee made its compensation decisions relating to executive compensation for the Company's NEOs for fiscal 2016, the Compensation Committee took into account, among other things, the following:

- the Company's net earnings per diluted share had increased to $5.10 for fiscal 2015 from $5.07 in the prior year, including approximately $0.06 per diluted share of a net benefit for certain non-recurring items;
- the Company had returned approximately $1.1 billion to shareholders through share repurchases in fiscal year 2015; and
- the Company had made capital expenditures exceeding $300 million in fiscal 2015, principally for strategic investments related to enhancing its omnichannel capabilities, including a new customer contact center and a new e-commerce distribution facility, and strengthening its position as the customer's first choice for the home and "heart-related" life events.

In response to shareholder concerns regarding magnitude of CEO pay, the Compensation Committee approved a reduction in Mr. Temares' fiscal 2016 target compensation from $19.6 million to $16.9 million, or by approximately 14%.

Mr. Temares' base salary did not increase in fiscal 2016, for the third consecutive year, and remained at $3,967,500, as his base salary may not be reduced under his 1994 employment agreement with the Company. This base salary amount represented Mr. Temares' entire cash compensation since the Company does not pay cash bonuses. Cash compensation for fiscal 2016 represented 23% of Mr. Temares' total compensation.

Equity awards to Mr. Temares for fiscal 2016 were reduced and consisted of $10,446,121 of PSUs (representing 229,459 PSUs) and $2,486,425 of stock options (representing 209,542 options). Mr. Temares has not sold any post-tax restricted shares during his tenure with the Company, and as calculated in accordance with the Company's stock ownership guidelines for the Company's CEO, the value of the shares or share equivalents that Mr. Temares owns, as of May 5, 2017, is approximately $30 million, well in excess of the Company's minimum $6,000,000 holding requirement. Additionally, since becoming President/Chief Operating Officer in 1999, Mr. Temares has always held his options at least until within one year (or less) of the option expiration date. These actions further support Mr. Temares' alignment with the long-term success of the Company.

For fiscal 2017, Mr. Temares' base salary will not increase, for the fourth consecutive year, and the value of his target compensation will be further reduced by approximately 14%, from $16.9 million to $14.55 million. The reduction in the value of Mr. Temares' target compensation reflects an approximate $1 million reduction in the 2017 equity compensation awards, as well as a discount applied to the CEO's grant of 2017 PSUs by virtue of a newly-required two-year post-vesting holding period of shares acquired on vesting of 2017 PSUs, net of withholding taxes, resulting in a reduction in the value of CEO target compensation of approximately $1.35 million.

For fiscal 2016, 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 10 years. Equity awards in 2016 for the Co-Chairmen did not increase and have remained in the same amount as they were for the previous five years (rounded to the next full share). The base salaries and equity awards of the other NEOs increased based upon several factors including increased responsibilities and individual performance.

On May 11, 2017, the Company's Co-Chairmen elected to commence "senior status." Under their employment agreements, and as a result of reductions in their equity compensation by the Compensation Committee in consultation with the Co-Chairmen, their combined salary and equity has been reduced by approximately 50%, or approximately $3.1 million.

The stock options granted to the CEO and the other NEOs vest in five equal annual installments, while the stock options awarded to the Co-Chairmen in 2016 and prior years 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 2016 compensation packages for the Chief Executive Officer and for the Co-Chairmen, as well as the other NEOs, based on the Company's annual performance, including the strategic investments being made to enhance its omnichannel capabilities and strengthen its position as the customer's first choice for the home and "heart-related" life events, 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 NEOs in fiscal 2016, see Potential Payments Upon Termination or Change in Control Table.

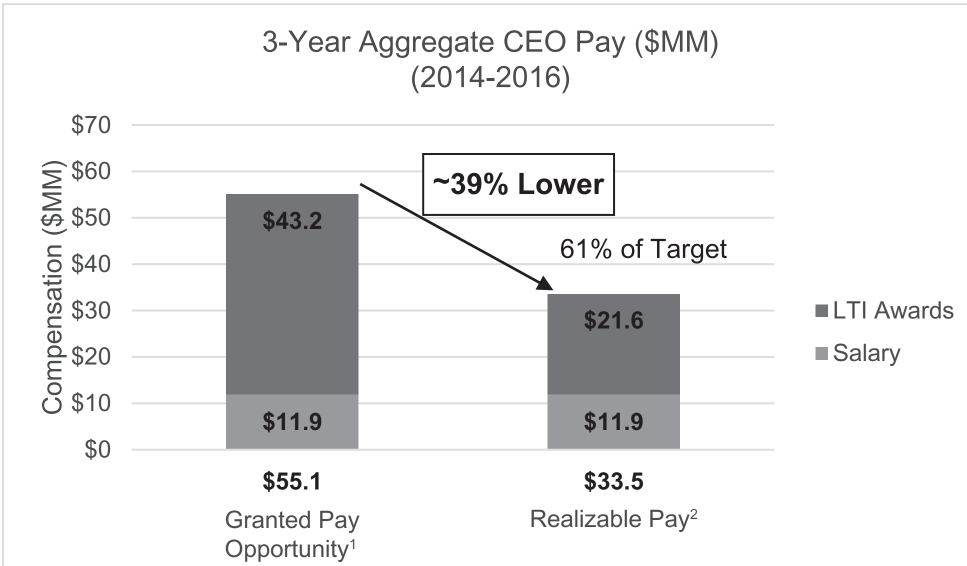
Supplemental Compensation Analysis

Reported Compensation vs Realizable Pay

Amounts reported in the Summary Compensation Table (SCT) are the total compensation of a NEO in a given year as calculated in accordance with SEC rules. While the amounts shown in the SCT reflect the grant date fair value of equity awards (Granted Pay Opportunity) to a NEO in the year of the grant, those awards have not vested and the amounts shown in the SCT do not reflect the impact of performance-based metrics or stock price performance on realizable pay, which may be considerably more or less based on (i) the actual number of options that vest during the performance period, (ii) the number of PSUs which are earned based on actual performance achieved, and (iii) the impact of actual stock price performance on the value of PSUs and options that vested or were earned during the period.

For purposes of helping our shareholders see the strong alignment of pay and performance in the Company's executive compensation program, below is a comparison of Mr. Temares' granted pay opportunity to realizable pay for an aggregate period of three years from 2014 to 2016. This table should not be viewed as a replacement or substitute for the SCT or other compensation tables provided on pages 35-42.

CEO Realizable Pay is ~39% Lower Than Granted Pay Opportunity Over the Period Resulting from Stock Price Decline Over Similar Period



Measurement Definitions

[1]Granted Pay Opportunity — Sum of Salary, grant date fair value of PSUs/Restricted Stock and Stock Options for all three years.

[2]Realizable Pay — Sum of Salary + Value of all earned long-term (L-T) incentive awards for completed performance periods and unvested L-T incentive awards for ongoing performance periods. Unvested PSUs are valued at target. Unvested L-T awards and stock options are valued based on the closing stock price of $37.34 on May 5, 2017.

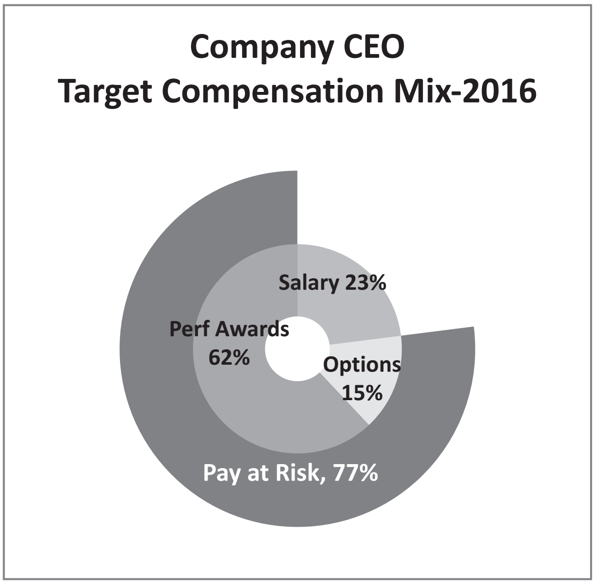
Value of CEO Total Target Compensation Has Decreased Approximately $5.1 Million Since 2015

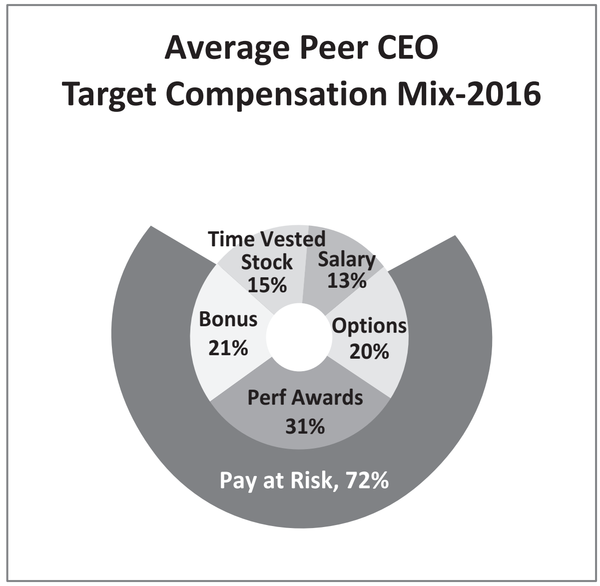
	Base Salary	Bonus/ Non-equity Incentive Paid	PSUs	RSAs	Stock Options	Total Direct Target Compensation
2015	$3,967,500	$ —	$10,446,137	$ —	$5,224,624	$19,638,261
2016	$3,967,500	$ —	$10,446,121	$ —	$2,486,425	$16,900,046
2017	$3,967,500	$ —	$ 8,947,298*	$ —	$1,636,415	$14,551,213

* This reflects a reduction of $1 million in the grant value of the CEO's equity awards, and a discount applied to the CEO's grant of 2017 PSUs by virtue of the newly-required two-year post-vesting holding period described above.

Substantial Majority of CEO Target Compensation "At Risk"

To promote a performance-based culture that aligns the interests of management and shareholders, our executive compensation program focuses extensively on performance-based and equity-based compensation. As illustrated in the charts below, the substantial majority (77%) of our CEO's target compensation in fiscal 2016 was in the form of at risk compensation (short-term and long-term), while the target compensation of the CEOs in our peer group was on average 72% "at risk." At risk consists of performance-based equity awards and stock options (time-based equity awards). The Compensation Committee continues to believe that a high percentage of our CEO's compensation should remain at risk and based on Company financial performance.





Performance Goals and Equity Awards

The table below shows how we performed under our equity incentive program for the fiscal 2014 three-year performance goal based on ROIC relative to a peer group, and for the fiscal 2016 one-year performance goal based on EBIT margin relative to a peer group.

	Mean (average) Peer Group	Bed Bath & Beyond	Achievement Percentage	Payment Percentage
Fiscal 2014 PSU Award Three-year performance goal (ROIC)	13.45%	20.95%	155.75%	100.00%
Fiscal 2016 PSU Award One-year performance goal (EBIT margin)	6.76%	9.29%	137.55%	100.00%*

* The TSR "Regulator" was not applied since the payment percentage did not exceed 100%.

Other Benefits

The Company provides the NEOs with the same benefits offered to all other associates. The cost of these benefits constitutes a small percentage of each NEO's total compensation. Key benefits include paid vacation, premiums paid for long-term disability insurance, a matching contribution to the NEO's 401(k) plan account, and the payment of a portion of the NEO'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 NEOs. 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 NEOs with certain perquisites including a car allowance, in the case of all NEOs, other than Ms. Lattmann. The Compensation Committee believes all such perquisites are reasonable and consistent with its overall objective of attracting and retaining our NEOs.

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 NEOs 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 NEOs (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. 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.

Executive Officers

Set forth below is information concerning our executive officers as of May 5, 2017.

Name	Age	Position
Warren Eisenberg	86	Co-Chairman and Director
Leonard Feinstein	80	Co-Chairman and Director
Steven H. Temares	58	Chief Executive Officer and Director
Arthur Stark	62	President and Chief Merchandising Officer
Eugene A. Castagna	51	Chief Operating Officer
Susan E. Lattmann	49	Chief Financial Officer and Treasurer
Matthew Fiorilli	60	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 2016, FISCAL 2015 AND FISCAL 2014

The following table sets forth information concerning the compensation of the Company's Named Executive Officers for the last three completed fiscal years. As set forth above, the Company has made significant and extensive changes to its executive compensation programs for fiscal 2017. The following table does not reflect the effects of any such changes.

Name and Principal Position	Fiscal Year	Salary(1) ($)	Stock Awards(2)(3) ($)	Option Awards(2) ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Steven H. Temares(4)(5)(6) *Chief Executive Officer*	2016	3,967,500	10,446,121	2,486,425	31,044	15,309	16,946,399
	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
Arthur Stark(7)(8) *President and Chief Merchandising Officer*	2016	1,849,277	1,775,020	600,004	—	11,424	4,235,725
	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
Eugene A. Castagna(9)(10) *Chief Operating Officer*	2016	1,928,846	1,900,031	750,002	—	11,991	4,590,870
	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
Susan E. Lattmann(11)(12) *Chief Financial Officer and Treasurer*	2016	1,021,154	1,100,021	500,010	—	8,296	2,629,481
	2015	871,154	900,064	400,002	—	8,262	2,179,482
	2014	730,769	750,013	300,006	—	7,955	1,788,743
Matthew Fiorilli(13)(14) *Senior Vice President—Stores*	2016	1,730,468	1,525,042	600,004	—	14,433	3,869,947
	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

(1) Except as otherwise described in this Summary Compensation Table, salaries to Named Executive Officers were paid in cash in fiscal 2016, fiscal 2015 and fiscal 2014, 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 Note 13 to the Company's financial statements in the Company's Form 10-K for fiscal 2016. 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 2016, 2015 and 2014 consists of PSU awards. Please see Compensation Discussion and Analysis for a description of the PSU awards. The one-year performance-based test for PSUs granted in fiscal 2016, 2015 and 2014 was met at the 100% target. The three-year performance-based test for PSUs granted in fiscal 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 granted in fiscal 2016 would be $15,669,204, $2,662,575, $2,850,047, $1,650,054 and $2,287,586 for Mr. Temares, Mr. Stark, Mr. Castagna, Ms. Lattmann and Mr. Fiorilli, respectively.

(4) Salary for Mr. Temares includes a deferral of $42,000, $42,000 and $40,624 for fiscal 2016, 2015 and 2014, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2016 is also reported in the Nonqualified Deferred Compensation Table below.

(5) The change in pension value for fiscal 2016, 2015 and 2014 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 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" below.

(6) All Other Compensation for Mr. Temares includes incremental costs to the Company for car allowance of $7,259, $6,244 and $16,103 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of $8,050, $7,950 and $7,725 for fiscal 2016, 2015 and 2014, respectively.

(7) Salary for Mr. Stark includes a deferral of $4,000, $10,192 and $10,639 for fiscal 2016, 2015 and 2014, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2016 is also reported in the Nonqualified Deferred Compensation Table below.

(8) All Other Compensation for Mr. Stark includes incremental costs to the Company for car allowance of $3,474, $6,547 and $6,995 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of $7,950, $8,565 and $7,704 for fiscal 2016, 2015 and 2014, respectively.

(9) Salary for Mr. Castagna includes a deferral of $192,462, $180,538 and $166,154 for fiscal 2016, 2015 and 2014, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2016 is also reported in the Nonqualified Deferred Compensation Table below.

(10) All Other Compensation for Mr. Castagna includes incremental costs to the Company for car allowance of $3,941, $3,500 and $6,203 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of $8,050, $8,500 and $7,675 for fiscal 2016, 2015 and 2014, respectively.

(11) Salary for Ms. Lattmann includes a deferral of $50,000, $36,731 and $29,594 for fiscal 2016, 2015 and 2014, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2016 is also reported in the Nonqualified Deferred Compensation Table below.

(12) 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 $8,296, $8,262 and $7,955 for fiscal 2016, 2015 and 2014, respectively.

(13) Salary for Mr. Fiorilli includes a deferral of $34,557, $33,038 and $140,654 for fiscal 2016, 2015 and 2014, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2016 is also reported in the Nonqualified Deferred Compensation Table below.

(14) All Other Compensation for Mr. Fiorilli includes incremental costs to the Company for car allowance of $6,483, $10,622 and $14,579 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of $7,950, $7,950 and $7,575 for fiscal 2016, 2015 and 2014, respectively.

GRANTS OF PLAN BASED AWARDS

Grants of Stock Options and Performance Stock Units for Fiscal 2016

The following table sets forth information with respect to stock options granted and performance stock units awarded during fiscal 2016 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 2016.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold(1) (#)	Target(1) (#)	Maximum(1) (#)	All Other Option Awards: Number of Securities Underlying Options(1) (#)	Exercise or Base Price of Option Awards(2) ($/Sh)	Closing Market Price on Date of Grant ($/Sh)	Grant Date Fair Value of Stock and Option Awards(3) ($)
Steven H. Temares	5/10/16	0	229,459	344,189				$10,446,121
	5/10/16				209,542	$45.53	$45.74	$ 2,486,425
Arthur Stark	5/10/16	0	38,990	58,486				$ 1,775,020
	5/10/16				50,565	$45.53	$45.74	$ 600,004
Eugene A. Castagna	5/10/16	0	41,736	62,604				$ 1,900,031
	5/10/16				63,206	$45.53	$45.74	$ 750,002
Susan E. Lattmann	5/10/16	0	24,163	36,245				$ 1,100,021
	5/10/16				42,138	$45.53	$45.74	$ 500,010
Matthew Fiorilli	5/10/16	0	33,499	50,249				$ 1,525,042
	5/10/16				50,565	$45.53	$45.74	$ 600,004

(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, PSU and option awards are valued in accordance with ASC 718. See footnote 2 to the Summary Compensation Table in this Proxy Statement. The fair value of 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.

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 2016 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 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 EBIT margin relative to a peer group of the Company comprising 46 companies. Upon achievement of the one-year performance-based test, the corresponding PSUs will vest annually in substantially equal installments over a two year period starting one year from the date of grant. Performance during the three-year period is based on ROIC relative to such peer group. Upon achievement of the three-year performance-based test, the corresponding PSUs will vest annually in substantially equal installments over a two-year period starting three years from the 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 25, 2017, the end of fiscal 2016.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested[1] ($)	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[1] ($)
Steven H. Temares	296,109	—	$28.3300	5/11/17	168,669[6]	$6,922,176	305,214[11]	$12,525,983
	263,930	—	$45.2000	5/10/18				
	254,400	—	$56.1850	5/10/19				
	199,477	49,870[2]	$68.9100	5/10/20				
	181,773	121,183[2]	$69.7750	5/10/21				
	92,672	139,010[2]	$62.3400	5/12/22				
	45,200	180,803[2]	$70.9550	5/11/23				
	—	209,542[2]	$45.5250	5/10/24				
Arthur Stark	8,933	—	$28.3300	5/11/17	52,518[7]	$2,155,339	51,108[12]	$2,097,472
	32,101	—	$45.2000	5/10/18				
	30,528	—	$56.1850	5/10/19				
	20,815	5,204[3]	$68.9100	5/10/20				
	16,158	10,772[3]	$69.7750	5/10/21				
	11,450	17,176[3]	$62.3400	5/12/22				
	5,191	20,764[3]	$70.9550	5/11/23				
	—	50,565[3]	$45.5250	5/10/24				
Eugene A. Castagna	32,101	—	$45.2000	5/10/18	48,761[8]	$2,001,151	54,118[13]	$2,221,003
	30,528	—	$56.1850	5/10/19				
	20,815	5,204[4]	$68.9100	5/10/20				
	16,158	10,772[4]	$69.7750	5/10/21				
	11,450	17,176[4]	$62.3400	5/12/22				
	6,488	25,955[4]	$70.9550	5/11/23				
	—	63,206[4]	$45.5250	5/10/24				
Susan E. Lattmann	5,725	8,588[5]	$62.3400	5/12/22	16,579[9]	$ 680,402	30,343[14]	$1,245,277
	3,460	13,843[5]	$70.9550	5/11/23				
	—	42,138[5]	$45.5250	5/10/24				

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested(1) ($)	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(1) ($)
Matthew Fiorilli	44,664	—	$28.3300	5/11/17	43,258(10)	$1,775,308	43,734(15)	$1,794,843
	32,101	—	$45.2000	5/10/18				
	30,528	—	$56.1850	5/10/19				
	20,815	5,204(3)	$68.9100	5/10/20				
	16,158	10,772(3)	$69.7750	5/10/21				
	11,450	17,176(3)	$62.3400	5/12/22				
	5,191	20,764(3)	$70.9550	5/11/23				
	—	50,565(3)	$45.5250	5/10/24				

(1) Market value is based on the closing price of the Company's common stock of $41.04 per share on February 24, 2017, the last trading day in fiscal 2016.

(2) Mr. Temares' unvested option awards are scheduled to vest as follows: (a) 49,870 on May 10, 2017, (b) 60,591 on May 10, 2017 and 60,592 on May 10, 2018, (c) 46,337 on each of May 12, 2017 and 2019 and 46,336 on May 12, 2018, (d) 45,201 on each of May 11, 2017, 2019 and 2020 and 45,200 on May 11, 2018 and (e) 41,908 on each of May 10, 2017, 2018 and 2020 and 41,909 on each of May 10, 2019 and 2021.

(3) Messrs. Stark and Fiorilli's unvested option awards are scheduled to vest as follows: (a) 5,204 on May 10, 2017, (b) 5,386 on each of May 10, 2017 and 2018, (c) 5,725 on each of May 12, 2017 and 2018 and 5,726 on May 12, 2019, (d) 5,191 on each of May 11, 2017, 2018, 2019 and 2020 and (e) 10,113 on each of May 10, 2017, 2018, 2019, 2020 and 2021.

(4) Mr. Castagna's unvested option awards are scheduled to vest as follows: (a) 5,204 on May 10, 2017, (b) 5,386 on each of May 10, 2017 and 2018, (c) 5,725 on each of May 12, 2017 and 2018 and 5,726 on May 12, 2019, (d) 6,489 on each of May 11, 2017, 2019 and 2020 and 6,488 on May 11, 2018 and (e) 12,641 on each of May 10, 2017, 2018, 2019 and 2020 and 12,642 on May 10, 2021.

(5) Ms. Lattmann's unvested option awards are scheduled to vest as follows: (a) 2,862 on May 12, 2017 and 2,863 on each of May 12, 2018 and 2019, (b) 3,461 on each of May 11, 2017, 2019 and 2020 and 3,460 on May 11, 2018 and (c) 8,427 on each of May 10, 2017 and 2019 and 8,428 on each of May 10, 2018, 2020 and 2021.

(6) Mr. Temares has an aggregate of 56,110 shares of unvested restricted stock and an aggregate of 112,559 shares underlying unvested PSUs. Mr. Temares' unvested restricted stock awards are scheduled to vest as follows: (a) 17,414 on May 10, 2017 and (b) 19,348 on each of May 10, 2017 and 2018. Mr. Temares' unvested PSU awards that have satisfied the applicable performance-based test are scheduled to vest as follows: (a) 38,949 on May 12, 2017 and (b) 36,805 on each of May 11, 2017 and 2018.

(7) Mr. Stark has an aggregate of 34,499 shares of unvested restricted stock and an aggregate of 18,019 shares underlying unvested PSUs. Mr. Stark's unvested restricted stock awards are scheduled to vest as follows: (a) 5,531 on May 10, 2017, (b) 4,450 on each of May 10, 2017 and 2018, (c) 3,918 on each of May 10, 2017 and 2018 and 3,919 on May 10, 2019 and (d) 4,156 on May 10, 2017 and 4,157 on May 10, 2018. Mr. Stark's unvested PSU awards that have satisfied the applicable performance-based test are scheduled to vest as follows: (a) 6,216 on May 12, 2017 and (b) 5,901 on May 11, 2017 and 5,902 on May 11, 2018.

(8) Mr. Castagna has an aggregate of 30,213 shares of unvested restricted stock and an aggregate of 18,548 shares underlying unvested PSUs. Mr. Castagna's unvested restricted stock awards are scheduled to vest as follows: (a) 4,425 on May 10, 2017, (b) 3,560 on each of May 10, 2017 and 2018, (c) 3,192 on May 10, 2017 and 3,193 on each of May 10, 2018 and 2019, (d) 3,440 on each of May 10, 2017 and 2018 and (e) 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: (a) 6,216 on May 12, 2017 and (b) 6,166 on each of May 11, 2017 and 2018.

(9) Ms. Lattmann has an aggregate of 7,229 shares of unvested restricted stock and an aggregate of 9,350 shares underlying unvested PSUs. Ms. Lattmann's unvested restricted stock awards are scheduled to vest as follows: (a) 885 on May 10, 2017, (b) 712 on each of May 10, 2017 and 2018, (c) 580 on May 10, 2017 and 581 on each of May 10, 2018 and 2019, (d) 573 on each of May 10, 2017 and 2019 and 574 on each of May 10, 2018 and 2020 and (e) 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: (a) 3,008 on May 12, 2017 and (b) 3,171 on each of May 11, 2017 and 2018.

(10) Mr. Fiorilli has an aggregate of 28,003 shares of unvested restricted stock and an aggregate of 15,255 shares underlying unvested PSUs. Mr. Fiorilli's unvested restricted stock awards are scheduled to vest as follows: (a) 4,425 on May 10, 2017, (b) 3,560 on each of May 10, 2017 and 2018, (c) 3,192 on May 10, 2017 and 3,193 on each of May 10, 2018 and 2019 and (d) 3,440 on each of May 10, 2017 and 2018. Mr. Fiorilli's unvested PSU awards that have satisfied the applicable performance-based test are scheduled to vest as follows: (a) 5,213 on May 12, 2017 and (b) 5,021 on each of May 11, 2017 and 2018.

(11) Mr. Temares' unvested PSU awards are valued at target achievement and include 114,729 PSU awards, subject to a one-year performance goal, and 190,485 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: 57,364 on May 10, 2017 and 57,365 on May 10, 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: (a) 38,949 on May 12, 2018, (b) 36,806 on May 11, 2019 and (c) 57,365 on each of May 10, 2019 and 2020.

(12) Mr. Stark's unvested PSU awards are valued at target achievement and include 19,495 PSU awards, subject to a one-year performance goal, and 31,613 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: 9,747 on May 10, 2017 and 9,748 on May 10, 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: (a) 6,216 on May 12, 2018, (b) 5,902 on May 11, 2019 and (c) 9,747 on May 10, 2019 and 9,748 on May 10, 2020.

(13) Mr. Castagna's unvested PSU awards are valued at target achievement and include 20,868 PSU awards, subject to a one-year performance goal, and 33,250 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: 10,434 on each of May 10, 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: (a) 6,216 on May 12, 2018, (b) 6,166 on May 11, 2019 and (c) 10,434 on each of May 10, 2019 and 2020.

(14) Ms. Lattmann's unvested PSU awards are valued at target achievement and include 12,081 PSU awards, subject to a one-year performance goal, and 18,262 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: 6,040 on May 10, 2017 and 6,041 on May 10, 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: (a) 3,008 on May 12, 2018, (b) 3,172 on May 11, 2019 and (c) 6,041 on each of May 10, 2019 and 2020.

(15) Mr. Fiorilli's unvested PSU awards are valued at target achievement and include 16,749 PSU awards, subject to a one-year performance goal, and 26,985 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: 8,374 on May 10, 2017 and 8,375 on May 10, 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: (a) 5,214 on May 12, 2018, (b) 5,021 on May 11, 2019 and (c) 8,375 on each of May 10, 2019 and 2020.

OPTION EXERCISES AND STOCK VESTED

Option Exercises and Stock Awards Vested for Fiscal 2016

The following table includes certain information with respect to the exercise of options and vesting of stock awards by Named Executive Officers during fiscal 2016.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Steven H. Temares[(1)(2)]	374,288	4,525,505	131,117	5,841,110
Arthur Stark[(3)(4)]	17,139	319,793	37,233	1,667,022
Eugene A. Castagna[(5)(6)]	17,866	313,118	32,295	1,443,825
Susan E. Lattmann[(7)]	—	—	10,341	459,029
Matthew Fiorilli[(8)(9)]	41,029	612,341	30,147	1,349,544

(1) Mr. Temares exercised 187,144 of stock options on May 10, 2016 and May 12, 2016 with a total value realized on exercise of $2,253,554. A family limited partnership exercised 187,144 of stock options on May 10, 2016 and May 12, 2016 with a total value realized on exercise of $2,271,951.

(2) Mr. Temares acquired (i) 55,362 shares on May 10, 2016 upon the lapse of restrictions on previously granted shares of restricted stock and (ii) 75,755 shares in total on May 11, 2016 and May 12, 2016 upon the vesting of PSUs for which the performance test had been met.

(3) Mr. Stark exercised stock options on April 21, 2016.

(4) Mr. Stark acquired (i) 25,115 shares in total on May 10, 2016 and May 11, 2016 upon the lapse of restrictions on previously granted shares of restricted stock and (ii) 12,118 shares in total on May 11, 2016 and May 12, 2016 upon the vesting of PSUs for which the performance test had been met.

(5) Mr. Castagna exercised stock options on August 12, 2016.

(6) Mr. Castagna acquired (i) 19,913 shares in total on May 10, 2016 and May 11, 2016 upon the lapse of restrictions on previously granted shares of restricted stock and (ii) 12,382 shares in total on May 11, 2016 and May 12, 2016 upon the vesting of PSUs for which the performance test had been met.

(7) Ms. Lattmann acquired (i) 4,163 shares in total on May 10, 2016 and May 11, 2016 upon the lapse of restrictions on previously granted shares of restricted stock and (ii) 6,178 shares in total on May 11, 2016 and May 12, 2016 upon the vesting of PSUs for which the performance test had been met.

(8) Mr. Fiorilli exercised stock options on April 18, 2016.

(9) Mr. Fiorilli acquired (i) 19,913 shares in total on May 10, 2016 and May 11, 2016 upon the lapse of restrictions on previously granted shares of restricted stock and (ii) 10,234 shares in total on May 11, 2016 and May 12, 2016 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 2016.

Nonqualified Deferred Compensation for Fiscal 2016

Name	Executive Contributions for Fiscal 2016[1] ($)	Company Contributions for Fiscal 2016[2] ($)	Aggregate Earnings (Losses) in Fiscal 2016[3] ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Fiscal Year End 2016[4] ($)
Steven H. Temares	42,000	1,126	76,732	—	507,732
Arthur Stark	4,000	1,450	236	(33,584)	6,075
Eugene A. Castagna	192,462	925	357,497	—	2,033,511
Susan E. Lattmann	50,000	3,105	71,692	—	406,570
Matthew Fiorilli	34,557	2,100	184,387	—	1,059,725

(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. Temares, Stark, Castagna and Fiorilli and Ms. Lattmann were $294,808, $461, $1,144,189, $268,529 and $102,593, 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

Each NEO has an employment agreement 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 each NEO upon termination of his or her 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

Each NEO's employment agreements and certain of the plans in which the NEOs participate require the Company to pay compensation to the executives if their employment terminates.

The estimated amount of compensation payable to each NEO 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 25, 2017, the last day of fiscal 2016 and a price per share of common stock of $41.04 (the "Per Share Closing Price"), the closing per share price as of February 24, 2017, the last business day of fiscal 2016.

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 PSU agreements, or, in the case of Ms. Lattmann, her employment agreement, shares of restricted stock and PSUs 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:

	Cash Severance	Option Acceleration(1)	Restricted Stock Acceleration(1)	PSU Acceleration(2)	Nonqualified Deferred Compensation Balance(3)	Supplemental Pension(4)	Total
Steven H. Temares(6)							
Termination Without Cause(5)	$11,902,500	$ —	$2,323,795	$11,026,205	$ 507,732	$18,842,018	$44,602,250
Voluntary Termination(7)	$ 3,967,500	$ —	$ —	$ —	$ 507,732	$18,842,018	$23,317,250
Change in Control (No Termination)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Change in Control + Termination(5)	$11,902,500	$ —	$2,323,795	$11,026,205	$ 507,732	$18,842,018	$44,602,250
Arthur Stark(8)							
Termination Without Cause(5)	$ 5,547,831	$ —	$1,428,776	$ 1,811,078	$ 6,075	$ —	$ 8,793,760
Voluntary Termination(7)	$ 1,849,277	$ —	$ —	$ —	$ 6,075	$ —	$ 1,855,352
Change in Control (No Termination)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Change in Control + Termination(5)	$ 5,547,831	$ —	$1,428,776	$ 1,811,078	$ 6,075	$ —	$ 8,793,760
Eugene A. Castagna(8)							
Termination Without Cause(7)	$ 1,928,846	$ —	$1,251,272	$ 1,889,849	$2,033,511	$ —	$ 7,103,478
Voluntary Termination(7)	$ 1,928,846	$ —	$ —	$ —	$2,033,511	$ —	$ 3,962,357
Change in Control (No Termination)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Change in Control + Termination(7)	$ 1,928,846	$ —	$1,251,272	$ 1,889,849	$2,033,511	$ —	$ 7,103,478
Susan E. Lattmann(8)							
Termination Without Cause(7)	$ 1,021,154	$ —	$ 299,389	$ 1,012,142	$ 406,570	$ —	$ 2,739,255
Change in Control (No Termination)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Change in Control + Termination(7)	$ 1,021,154	$ —	$ 299,389	$ 1,012,142	$ 406,570	$ —	$ 2,739,255
Matthew Fiorilli(8)							
Termination Without Cause(5)	$ 5,191,404	$ —	$1,159,744	$ 1,541,384	$1,059,725	$ —	$ 8,952,257
Voluntary Termination(7)	$ 1,730,468	$ —	$ —	$ —	$1,059,725	$ —	$ 2,790,193
Change in Control (No Termination)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Change in Control + Termination(5)	$ 5,191,404	$ —	$1,159,744	$ 1,541,384	$1,059,725	$ —	$ 8,952,257

(1) Represents the value of unvested outstanding stock options and restricted stock that would accelerate and vest on a termination occurring on February 25, 2017. 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. The value of accelerated restricted stock includes dividends on the underlying shares of the applicable restricted stock that are subject to the same vesting restrictions that apply to the entire restricted stock. The value of accrued dividends credited as of February 25, 2017 and included above were approximately: $21,041 for Mr. Temares; $12,937 for Mr. Stark; $11,330 for Mr. Castagna; $2,711 for Ms. Lattmann; and $10,501 for Mr. Fiorilli.

(2) Represents the value of unvested outstanding performance stock unit (PSU) awards that would accelerate and vest on a termination without cause, 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 and 2015 PSU awards for which the one-year performance test has been met, (ii) the 2016 PSU awards subject to the one-year performance test at target, which result was reasonably estimable on February 25, 2017 based on assumptions regarding the performance of the peer companies and (iii) the 2014 PSU awards subject to the three-year performance test at target, which result was reasonably estimable on February 25, 2017 based on

assumptions regarding the performance of the peer companies. The portion of 2015 and 2016 PSU awards subject to a three-year performance test, based on relative performance against the peer companies, was substantially uncertain on February 25, 2017 and is not included. The value of accelerated PSU awards includes dividend equivalents on the underlying shares of the applicable PSU award that are subject to the same vesting restrictions that apply to the entire PSU award. The value of accrued dividend equivalents credited as of February 25, 2017 and included above were approximately: $99,839 for Mr. Temares; $16,399 for Mr. Stark; $17,112 for Mr. Castagna; $9,165 for Ms. Lattmann; and $13,957 for Mr. Fiorilli. 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.

(3) Reflects executives' vested account balances as of February 25, 2017.

(4) 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.

(5) Cash severance represents three times current salary payable over a period of three years following a termination without cause.

(6) 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."

(7) Cash severance represents one times current salary payable over a period of one year.

(8) 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 3—APPROVAL, BY NON-BINDING VOTE, OF 2016 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 2016. 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 resolutions:

"RESOLVED, that the compensation paid to the Company's Named Executive Officers for fiscal 2016, 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 above, 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.

We believe the preceding Compensation Discussion and Analysis, including the significant changes implemented for fiscal 2017, reflects the Compensation Committee's ongoing receptiveness and responsiveness to shareholder concerns regarding executive compensation, and supports the recommendation by the Board of a vote approving the fiscal 2016 executive compensation program.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE <u>FOR</u> THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS FOR FISCAL 2016 AS DISCLOSED IN THIS PROXY STATEMENT.

PROPOSAL 4—ADVISORY VOTE ON FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934, the Company is seeking the input of its shareholders on the frequency with which it will hold a non-binding, advisory vote on the compensation of its Named Executive Officers (commonly known as a “frequency of say-on-pay” proposal). In voting on this Proposal 4, shareholders are provided with four choices. Shareholders may indicate their preference as to whether the advisory vote on the compensation of the Company’s Named Executive Officers (NEOs) should occur once every (i) one year, (ii) two years, or (iii) three years; or the shareholders may abstain from voting on this Proposal 4.

After careful consideration, it is the opinion of the Board of Directors that the frequency of the shareholder vote on the compensation of the Company’s NEOs should be once every one year. The Board of Directors recommends an annual advisory vote because an annual vote will allow shareholders to provide direct input on the Company’s compensation policies and practices, and the resulting compensation for the NEOs, every year. Shareholders would have the opportunity to consider the Company’s most recent compensation decisions in the context of its pay for performance philosophy and focus on increasing long-term shareholder value, and to provide feedback to the Company in a timely way.

While the Board recommends an annual vote, shareholders are not voting to approve or disapprove of the Board’s recommendation. Rather, shareholders are being provided with the opportunity to cast an advisory vote on whether the shareholder advisory vote on executive officer compensation should occur once every (i) one year, (ii) two years, or (iii) three years, or to abstain from voting on the matter.

As an advisory vote, this proposal is not binding on the Company. Notwithstanding the advisory nature of this vote, the Board of Directors values the opinions expressed by shareholders in their vote on this proposal, and will consider the outcome of the vote when making a determination as to the frequency of future advisory votes on executive compensation. The alternative (every one year, two years or three years) receiving the majority of votes cast will be the frequency that shareholders approve. If no alternative receives a majority of votes cast, then the alternative receiving the greatest number of votes will be deemed the frequency that shareholders approve.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE ON AN ADVISORY BASIS, FOR A FREQUENCY OF SAY-ON-PAY VOTE OF <u>ONCE EVERY ONE YEAR</u>.

PROPOSAL 5—RE-APPROVAL OF THE PERFORMANCE GOALS UNDER THE COMPANY'S 2012 INCENTIVE COMPENSATION PLAN

Shareholders are being asked to re-approve the performance goals under the Bed Bath & Beyond Inc. 2012 Incentive Compensation Plan (the "2012 Plan"). The 2012 Plan was initially adopted by the Board of Directors as the 2004 Incentive Compensation Plan on May 13, 2004 and was thereafter approved by our shareholders at the 2004 Annual Meeting of Shareholders. The 2004 Incentive Compensation Plan was thereafter amended, restated and renamed the 2012 Incentive Compensation Plan, which was approved by the Board of Directors on May 18, 2012 and by our shareholders at the 2012 Annual Meeting of Shareholders.

The purpose of asking shareholders to re-approve the performance goals under the 2012 Plan is so that certain incentive awards granted thereunder may qualify as exempt performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). Section 162(m) of the Code generally disallows the corporate tax deduction for certain compensation paid in excess of $1,000,000 annually to each of the chief executive officer and the three other most highly paid executive officers (other than the chief financial officer) of publicly-held companies, unless compensation is performance-based or satisfies other conditions. To satisfy the performance-based exception, Section 162(m) of the Code generally requires such performance goals to be approved by shareholders every five years.

<u>We are not proposing any amendment to the terms of the 2012 Plan at this time</u>. These performance goals must be shareholder approved to preserve, to the extent possible, our tax deduction for certain awards made under the 2012 Plan in accordance with the terms of Section 162(m) of the Code and the related regulations.

The Board recommends that shareholders re-approve the performance goals under the 2012 Plan. If the requisite shareholder approval of the performance goals is not obtained, we may continue to grant awards under the 2012 Plan in accordance with its current terms. However, certain awards under the Plan may not constitute "performance-based" compensation under Section 162(m) of the Code and accordingly, may not be tax deductible by the Company depending on the facts and circumstances.

The following description of the 2012 Plan is summary of its principal provisions. Please also refer to the complete copy of the 2012 Plan, which was filed as Exhibit A to our definitive 2012 Proxy Statement on Schedule 14A filed with the SEC on May 24, 2012.

Description of the 2012 Plan

Administration

The Board of Directors has appointed two committees to administer the 2012 Plan: the Compensation Committee which is authorized to grant awards to executive officers and certain other key executives; and a second committee, consisting of the Co-Chairmen and Chief Executive Officer, which is authorized to grant awards to other employees and consultants. All members of the Compensation Committee are intended to be "non-employee directors" within the meaning of Rule 16b-3 under the Exchange Act, "outside directors" within the meaning of Section 162(m) of the Code and "independent directors" under NASDAQ Listing Rule 5605(a)(2). Under the 2012 Plan, the entire Board of Directors has the authority to grant awards to non-employee directors.

Eligibility and Types of Awards

Employees, consultants and prospective employees and consultants of the Company and its affiliates and non-employee directors of the Company are eligible to be granted non-qualified stock options, SARs, restricted stock awards, performance awards and other stock-based awards under the 2012 Plan. Only employees of the Company or its subsidiaries are eligible to be granted incentive stock options ("ISOs") under the 2012 Plan. Eligibility for awards under the 2012 Plan is determined by the applicable Committee in its sole discretion, provided that no award may be made to any non-employee director unless all similarly situated non-employee directors have the right to receive the same award on the same terms.

Available Shares

The aggregate number of shares of common stock of the Company that may be issued or used for reference purposes under the 2012 Plan may not exceed 43,200,868 shares (which includes 14,300,000 shares approved in 2012 by shareholders plus 19,000,000 shares approved by shareholders in 2004 plus shares of common stock that were available for grant under the 1996, 1998, 2000 and 2001 Stock Option Plan. As of May 5, 2017, 15,205,511 shares of common stock of the Company remained available for grant under the 2012 Plan, taking into account grants thereunder as well as cancellations and forfeitures. This share reserve remains in effect through the remainder of the 2012 Plan's term (due to expire May 18, 2022).

Shares of common stock that are subject to stock options or SARs will be counted against the overall limit as one share for every share granted. If any stock option or SAR is cancelled, expires or terminates unexercised for any reason, the shares covered by such award will again be available for the grant of awards under the 2012 Plan, except that any options or SARs that are not issued as the result of a net settlement or that are used to pay any exercise price or tax withholding obligation will not be available for the grant of awards. Shares of common stock repurchased on the open market by the Company with the proceeds of an option exercise price also will not be available for the grant of awards. Shares of common stock that are subject to other types of awards will be counted against this limit as 2.2 shares for every share granted. If such other awards are forfeited for any reason, 2.2 shares will again be available for the grant of awards under the 2012 Plan that we granted after the 2012 Annual Meeting of Shareholders and 1.80 shares will again become available for the grant of awards made under the 2012 Plan that were granted prior the date of the 2012 Annual Meeting of Shareholders.

The maximum number of shares of common stock subject to any option and/or SAR that may be granted under the 2012 Plan during any fiscal year of the Company to each employee is, in the aggregate, 1,000,000 shares. The maximum number of shares of common stock subject to any restricted stock award and/or other stock-based award that is subject to the attainment of specified performance goals that may be granted under the 2012 Plan during any fiscal year of the Company to each employee is 750,000 shares. The maximum number of shares of common stock subject to any performance award denominated in shares of common stock that may be granted to an employee under the 2012 Plan attributable to any year of a performance period is 750,000 shares. The maximum payment that may be made to an employee under the 2012 Plan and denominated in dollars for a cash-based award attributable to any year of a performance period is $5,000,000. The above per-participant limits will be increased for an employee to the extent that awards made to the employee in any prior year under the 2012 Plan were for less than the maximum number of shares or the amounts permitted to be granted, in the aggregate, to the employee.

The Committee may, in accordance with the term of the 2012 Plan, make appropriate adjustments to the above limits and the terms of outstanding options and other awards to reflect any stock dividend or distribution, stock split, reverse stock split, recapitalization, reorganization, merger, consolidation, split-up, combination, reclassification, or exchange of shares, partial or complete liquidation, issuance of rights or warrants, sale or transfer of the Company's assets or business, or any special cash dividend (or any other event affecting the Company's capital structure or business).

On May 5, 2017, the closing price of a share of common stock on the Nasdaq Stock Market was $37.34.

Awards under the 2012 Plan

Stock Options. The 2012 Plan authorizes the Committee to grant ISOs (only to eligible employees) and non-qualified stock options to purchase shares of common stock. The Committee will determine the number of shares of common stock subject to each option, the term of each option, the exercise price (which may not be less than the fair market value of the common stock at the time of grant, or 110% of fair market value in the case of ISOs granted to 10% shareholders), any vesting schedule, and the other material terms of each option. Options will be exercisable at such times and subject to such terms as are determined by the Committee at grant. The maximum term of options under the 2012 Plan is eight years (or five years in the case of ISOs granted to 10% shareholders). Options with vesting conditions based on the attainment of performance goals will be exercisable no earlier than one year after grant and options with vesting conditions based on the continued service of the recipient will be fully exercisable no earlier than three years after grant (permitting pro-rata vesting over such three year period), subject to acceleration of vesting in the event of a change in control, retirement, death or disability, at the discretion of the Committee. However, up to 5% of the shares reserved for issuance may be granted without these minimum vesting requirements. Upon the exercise of an option, the recipient must make payment of the full exercise price, either: in cash, check, bank draft or money order; solely to the extent permitted by law, through the delivery of irrevocable instructions to a broker reasonably acceptable to the Company to deliver promptly to the Company an amount equal to the aggregate purchase price; or on such other terms and conditions as may be acceptable to the Committee (including, without limitation, the relinquishment of options or by payment in full or in part in the form of common stock).

Stock Appreciation Rights. The 2012 Plan authorizes the Committee to grant SARs either in tandem with an option or independent of an option. The exercise price of a tandem SAR will be the exercise price of the related option. A SAR is a right to receive a payment either in cash or common stock equal in value to the excess of the fair market value of one share of common stock on the date of exercise over the exercise price per share of the SAR. The Committee will determine the terms and conditions of SARs at the time of grant, but generally SARs will be subject to the same terms and conditions as options (as described above).

Restricted Stock Awards. The 2012 Plan authorizes the Committee to grant restricted stock awards. Recipients of restricted stock awards enter into an agreement with the Company subjecting the restricted stock awards to transfer and other restrictions and providing the criteria or dates on which such awards vest and such restrictions lapse. The restrictions on restricted stock awards may lapse and the awards may vest over time, based on performance criteria or other factors (including, without limitation, performance goals that are intended to comply with the performance-based compensation exception under Section 162(m) of the Code), as determined by the Committee at grant. For restricted stock awards that vest or whose restrictions lapse based on the attainment of performance goals, the minimum restriction or vesting period will be no less than one year after grant, and for restricted stock awards that vest or whose restrictions lapse based on the continued service of the recipient, the restriction or vesting period will be no less than three years after grant (permitting restrictions to lapse or awards to vest pro-rata over such three year period), subject to the earlier vesting or lapsing of restrictions in the event of a change in control, retirement, death or disability, at the discretion of the Committee. However, up to 5% of the shares reserved for issuance may be granted without these minimum vesting requirements or restriction periods. Except as otherwise determined by the Committee, a recipient of a restricted stock award has all of the attendant rights of a shareholder, including the right to receive dividends, if any, subject to vesting conditions as described below, the right to vote shares and, subject to and conditioned upon the vesting and restrictions lapsing for all of shares, the right to tender such shares. The right to receive dividends on a restricted stock award is subject to the vesting or lapsing of the restrictions on the restricted stock award.

Performance Awards. The 2012 Plan authorizes the Committee to grant performance awards entitling recipients to receive a fixed number of shares of common stock or cash, as determined by the Committee, upon the attainment of performance goals with respect to a designated performance period. Unless the Committee determines otherwise at grant, the minimum performance period will be one year.

Other Awards. The 2012 Plan authorizes the Committee to grant awards of common stock and other awards that are valued in whole or in part by reference to, or are payable in or otherwise based on, common stock, including but not limited to: shares of common stock awarded purely as a bonus in lieu of cash and not subject to any restrictions or conditions; shares of common stock in payment of the amounts due under an incentive or performance plan sponsored or maintained by the Company or an affiliate; stock equivalent units; restricted stock units; and awards valued by reference to book value of shares of common stock. The Committee may also permit eligible employees and non-employee directors to defer all or a portion of their cash compensation in the form of such other awards under the 2012 Plan, subject to the terms and conditions of any deferred compensation arrangement established by the Company.

As noted above, performance-based awards granted under the 2012 Plan that are intended to satisfy the performance-based compensation exception under Section 162(m) of the Code will vest based on attainment of specified performance goals established by the Committee. These performance goals will be based on the attainment of a certain target level of, or a specified increase in (or decrease where noted) one or more of the following criteria selected by the Committee:

- enterprise value or value creation targets;
- after-tax or pre-tax profits, including, without limitation, that attributable to continuing and/or other operations;
- operational cash flow or economic value added;
- gross or operating margins;
- reduction of, or other specified objectives with regard to limiting the level of increase in all or a portion of, the Company's bank debt or other long-term or short-term public or private debt or other similar financial obligations of the Company, which may be calculated net of cash balances and/or other offsets and adjustments as may be established by the Committee;
- earnings per share or earnings per share from continuing operations;
- net sales, revenues, net income or earnings before income tax or other exclusions;
- return on capital employed or return on invested capital;
- after-tax or pre-tax return on stockholder equity; or
- fair market value of the shares of the common stock of the Company.

The criteria to establish performance goals also include the growth in the value of an investment in the common stock of the Company assuming the reinvestment of dividends, or a transaction that results in the sale of stock or assets of the Company.

Unless the Committee determines otherwise, the Committee will disregard and exclude the impact of an item, event, occurrence or circumstance including: restructurings, discontinued operations, disposal of a business, extraordinary items and other unusual or non-recurring charges; an event either not directly related to the operations of the Company or not within the reasonable control of the Company's management; a change in accounting standards required by generally accepted accounting principles; or other similar events, to the extent permitted by Section 162(m) of the Code.

In addition, such performance goals may be based upon the attainment of specified levels of Company (or subsidiary, division or other operational unit of the Company) performance under one or more of the measures described above relative to the performance of other corporations. The Committee may designate additional business criteria on which the performance goals may be based or adjust, modify or amend those criteria.

Term

Awards under the 2012 Plan may not be made after May 18, 2022, but awards granted prior to such date may extend beyond that date. Awards (other than stock options and stock appreciation rights) that are intended to be "performance-based" under Section 162(m) of the Code will not be made on or after the first shareholders' meeting in the fifth year following the year of the last shareholder approval of the performance goals in the 2012 Plan (i.e., the first shareholders' meeting in 2017).

However, if this Proposal to re-approve the performance goals in the 2012 Plan is approved by shareholders, awards (other than stock options and stock appreciation rights) that are intended to be "performance-based" under Section 162(m) of the Code will not be made on or after the first shareholders' meeting in the fifth year following this re-approval (i.e., the first shareholders' meeting in 2022, if this Proposal is approved by shareholders).

Amendment and Termination

Subject to the rules referred to in the balance of this paragraph, the Board of Directors or an authorized Committee consisting solely of two or more non-employee directors may at any time amend, in whole or in part, any or all of the provisions of the 2012 Plan, or suspend or terminate it entirely, retroactively or otherwise. Except to correct obvious drafting errors or as required to comply with applicable law or accounting rules, no such amendment may reduce the rights of a participant with respect to awards previously granted without the consent of such participant. In addition, without the approval of shareholders, no amendment may be made that would: increase the aggregate number of shares of common stock that may be issued under the 2012 Plan; increase the maximum individual participant share limitations for a fiscal year or year of a performance period; change the classification of individuals eligible to receive awards under the 2012 Plan; extend the maximum option term; decrease the minimum exercise price of (i.e., reprice) any award; reduce the exercise price of any option or SAR or cancel any outstanding "in-the-money" option or SAR in exchange for cash; substitute any option or SAR in exchange for an option or SAR (or similar other award) with a lower exercise price; alter the performance goals; or require shareholder approval in order for the 2012 Plan to continue to comply with Section 162(m) of the Code, Section 422 of the Code or to satisfy applicable Nasdaq rules.

Nontransferability

Except as the Committee may permit, at the time of grant or thereafter, awards granted under the 2012 Plan are not transferable by a participant other than by will or the laws of descent and distribution. Shares of common stock acquired by a permissible transferee will continue to be subject to the terms of the 2012 Plan and the applicable award agreement.

Future Plan Awards

Because future awards under the 2012 Plan will be based upon prospective factors including the nature of services to be rendered and a participant's potential contributions to the success of the Company or its affiliates, actual awards cannot be determined at this time.

Material U.S. Federal Income Tax Consequences of Stock Options

The following discussion of the principal U.S. federal income tax consequences with respect to options under the 2012 Plan is based on statutory authority and judicial and administrative interpretations as of the date of this proxy statement, which are subject to change at any time (possibly with retroactive effect) and may vary in individual circumstances. Therefore, the following is designed to provide a general understanding of the federal income tax consequences (state, local and other tax consequences are not addressed below). This discussion is limited to the U.S. federal income tax consequences to individuals who are citizens or residents of the U.S., other than those individuals who are taxed on a residence basis in a foreign country. The U.S. federal income tax law is technical and complex and the discussion below represents only a general summary.

The following summary is included herein for general information only and does not purport to address all the tax considerations that may be relevant. Each recipient of a grant is urged to consult his or her own tax advisor as to the specific tax consequences to such recipient of the grant and the disposition of common stock.

Non-qualified Stock Options. In general, an optionee will recognize no taxable income upon the grant of a non-qualified stock option and the Company will not receive a deduction at the time of such grant. Upon exercise of a non-qualified stock option, an optionee generally will recognize ordinary income in an amount equal to the excess of the fair market value of the common stock on the date of exercise over the exercise price. Upon a subsequent sale of the common stock by the optionee, the optionee will recognize short-term or long-term capital gain or loss, depending upon his holding period for the common stock. Subject to the limitations of Section 162(m) of the Code and Section 280G of the Code (as described below), the Company will generally be allowed a deduction equal to the amount recognized by the optionee as ordinary income.

Incentive Stock Options. The grant or exercise of an ISO generally has no income tax consequences for the optionee or the Company. No taxable income results to the optionee upon the grant or exercise of an ISO. However, the amount by which the fair market value of the stock acquired pursuant to the exercise of an ISO exceeds the exercise price is an adjustment item and will be considered income for purposes of alternative minimum tax.

The aggregate fair market value of common stock (determined at the time of grant) with respect to which ISOs can be exercisable for the first time by an optionee during any calendar year cannot exceed $100,000. Any excess will be treated as a non-qualified stock option.

The sale of common stock received pursuant to the exercise of an option that satisfied all of the ISO requirements, as well as the holding period requirement described below, will result in a long-term capital gain or loss equal to the difference between the amount realized on the sale and the exercise price. To receive ISO treatment, an optionee must be an employee of the Company (or certain subsidiaries) at all times during the period beginning on the date of the grant of the ISO and ending on the day three months before the date of exercise, and the optionee must not dispose of the common stock purchased pursuant to the exercise of an option either (i) within two years from the date the ISO was granted, or (ii) within one year from the date of exercise of the ISO. Any gain or loss realized upon a subsequent disposition of the shares will be treated as a long-term capital gain or loss to the optionee (depending on the applicable holding period). The Company will not be entitled to a tax deduction upon such exercise of an ISO, or upon a subsequent disposition of the shares, unless such disposition occurs prior to the expiration of the holding period described above.

In general, if the optionee does not satisfy the foregoing holding periods, any gain (in an amount equal to the lesser of the fair market value of the common stock on the date of exercise (or, with respect to officers subject to Section 16(b) of the Exchange Act, the date that sale of such common stock would not create liability, referred to as Section 16(b) liability, under Section 16(b) of the Exchange Act) minus the exercise price, or the amount realized on the disposition minus the exercise price) will constitute ordinary income. In the event of such a disposition before the expiration of the holding periods described above, subject to the limitations under Code Sections 162(m) and 280G (as described below), the Company is generally entitled to a deduction at that time equal to the amount of ordinary income recognized by the optionee. Any gain in excess of the amount recognized by the optionee as ordinary income would be taxed to the optionee as short-term or long-term capital gain (depending on the applicable holding period).

Section 16(b). Any of our officers and directors subject to Section 16(b) of the Exchange Act may be subject to Section 16(b) liability with regard to both ISOs and non-qualified stock options as a result of special tax rules regarding the income tax consequences concerning their stock options.

Section 162(m) of the Code. Section 162(m) of the Code denies a deduction to any publicly held corporation for compensation paid to certain "covered employees" in its taxable year to the extent that such compensation exceeds $1,000,000 and is not "performance-based compensation." "Covered employees" are a company's chief executive officer on the last day of the taxable year and the three other most highly paid executive officers (other than the chief financial officer) whose compensation is required to be reported to stockholders in its proxy statement under the Exchange Act. Compensation paid to covered employees as a result of the exercise of non-qualified stock options granted in accordance with the terms of the 2012 Plan are intended to be "performance-based compensation" enabling the Company to receive a deduction for the full amount of such compensation without regard to the $1,000,000 cap.

Parachute Payments. In the event that the payment of any award under the 2012 Plan is accelerated because of a change in ownership (as defined in Code Section 280G(b)(2)) and such payment of an award, either alone or together with any other payments made to the certain participants, constitutes parachute payments under Section 280G of the Code, then, subject to certain exceptions, a portion of such payments would be nondeductible to the Company and the participant would be subject to a 20% excise tax on such portion.

Section 409A of the Code. Section 409A provides that all amounts deferred under a nonqualified deferred compensation plan are includible in a participant's gross income to the extent such amounts are not subject to a substantial risk of forfeiture, unless certain requirements are satisfied. If the requirements are not satisfied, in addition to current income inclusion, interest at the underpayment rate plus 1% will be imposed on the participant's underpayments that would have occurred had the deferred compensation been includible in gross income for the taxable year in which first deferred or, if later, the first taxable year in which such deferred compensation is not subject to a substantial risk of forfeiture. The amount required to be included in income is also subject to an additional 20% tax. While most awards under the 2012 Plan are anticipated to be exempt from the requirements of Section 409A, awards that are not exempt are intended to comply with Section 409A.

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 FOR RE-APPROVAL OF THE PERFORMANCE GOALS UNDER THE 2012 INCENTIVE COMPENSATION PLAN.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE RE-APPROVAL OF THE PERFORMANCE GOALS UNDER THE 2012 INCENTIVE COMPENSATION PLAN.

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 5, 2017 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. Ownership data with respect to our institutional shareholders is based upon information publicly available as described in the footnotes below.

The following table gives effect to the shares of common stock issuable within 60 days of May 5, 2017 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 144,118,966 shares of our common stock outstanding at May 5, 2017. 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	
The Vanguard Group		13,695,310(1)	9.5%
FMR LLC		12,867,660(2)	8.9%
BlackRock, Inc.		12,334,965(3)	8.6%
State Street Corporation		8,122,770(4)	5.6%
Brown Brothers Harriman & Co.		7,328,004(5)	5.1%
Warren Eisenberg	Co-Chairman and Director	2,075,699(6)	1.4%
Leonard Feinstein	Co-Chairman and Director	1,938,899(7)	1.3%
Steven H. Temares	Chief Executive Officer and Director	2,154,973(8)	1.5%
Arthur Stark	President and Chief Merchandising Officer	300,641(9)	*
Eugene A. Castagna	Chief Operating Officer	287,856(10)	*
Susan E. Lattmann	Chief Financial Officer and Treasurer	58,907(11)	*
Matthew Fiorilli	Senior Vice President—Stores	269,154(12)	*
Dean S. Adler	Director	33,423(13)	*
Stanley F. Barshay	Director	25,984	*
Geraldine T. Elliott	Director	4,884	*
Klaus Eppler	Director	16,529	*
Patrick R. Gaston	Director	20,947	*
Jordan Heller	Director	18,441	*
Victoria A. Morrison	Director	16,224	*
Virginia Ruesterholz	Director Nominee	4,000	*
All Directors and Executive Officers as a Group (14 persons)		7,222,561	5.0%

* 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, 2017 by The Vanguard Group. The Schedule 13G states that The Vanguard Group has sole voting power of 244,047 shares of common stock, shared voting power of 35,248 shares of common stock, sole dispositive power of 13,422,614 shares of common stock and shared dispositive power of 272,696 shares of common stock. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.

(2) Information regarding FMR LLC was obtained from a Schedule 13G filed with the SEC on February 14, 2017 by FMR LLC. The Schedule 13G states that FMR LLC has sole voting power of 3,549,760 shares of common stock and sole dispositive power of 12,867,660 shares of common stock. The address of FMR LLC is 245 Summer Street, Boston, MA 02210.

(3) Information regarding BlackRock, Inc. was obtained from a Schedule 13G filed with the SEC on January 19, 2017 by BlackRock, Inc. The Schedule 13G states that BlackRock, Inc. has sole voting power of 10,612,530 shares of common stock and sole dispositive power of 12,334,965 shares of common stock. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

(4) Information regarding State Street Corporation was obtained from a Schedule 13G filed with the SEC on February 9, 2017 by State Street Corporation. The Schedule 13G states that State Street Corporation has shared voting power and shared dispositive power of 8,122,770 shares of common stock. The address of State Street Corporation is One Lincoln Street, Boston, MA 02111.

(5) Information regarding Brown Brothers Harriman & Co. was obtained from a Schedule 13G filed with the SEC on October 14, 2016 by Brown Brothers Harriman & Co. The Schedule 13G states that Brown Brothers Harriman & Co. has sole voting power and sole dispositive power of 1,212,930 shares of common stock, shared voting power of 6,117,582 shares of common stock, and shared dispositive power of 6,115,074 shares of common stock. The address of Brown Brothers Harriman & Co. is 140 Broadway, New York, NY 10005.

(6) The shares shown as being owned by Mr. Eisenberg include: (a) 52,293 owned by Mr. Eisenberg individually; (b) 151,210 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) 1,000,000 shares owned by trusts for the benefit of Mr. Eisenberg and his family members; (e) 347,942 shares owned by his spouse; (f) 12,954 shares of restricted stock; and (g) 11,300 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) 915,712 shares owned by Mr. Feinstein individually; (b) 151,210 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) 12,954 shares of restricted stock; and (g) 11,300 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) 541,305 shares owned by Mr. Temares individually; (b) 1,377,468 shares issuable pursuant to stock options granted to Mr. Temares that are exercisable or become exercisable within 60 days; (c) 99,336 shares owned 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) 5,000 shares owned by a family limited partnership established by Mr. Temares' mother; (e) 56,110 shares of restricted stock; and (f) 75,754 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) 106,163 shares owned by Mr. Stark individually; (b) 147,862 shares issuable pursuant to stock options granted to Mr. Stark that are exercisable or become exercisable within 60 days; (c) 34,499 shares of restricted stock; and (d) 12,117 shares underlying PSUs that are expected to vest within 60 days.

(10) The shares shown as being owned by Mr. Castagna include: (a) 93,012 shares owned by Mr. Castagna individually; (b) 152,985 shares issuable pursuant to stock options granted to Mr. Castagna that are exercisable or become exercisable within 60 days; (c) 29,477 shares of restricted stock; and (d) 12,382 shares underlying PSUs that are expected to vest within 60 days.

(11) The shares shown as being owned by Ms. Lattmann include: (a) 21,858 shares owned by Ms. Lattmann individually; (b) 23,935 shares issuable pursuant to stock options granted to Ms. Lattmann that are exercisable or become exercisable within 60 days; (c) 6,935 shares of restricted stock; and (d) 6,179 shares underlying PSUs that are expected to vest within 60 days.

(12) The shares shown as being owned by Mr. Fiorilli include: (a) 83,055 shares owned by Mr. Fiorilli individually; (b) 147,862 shares issuable pursuant to stock options granted to Mr. Fiorilli that are exercisable or become exercisable within 60 days; (c) 28,003 shares of restricted stock; and (d) 10,234 shares underlying PSUs that are expected to vest within 60 days.

(13) The shares shown as being owned by Mr. Adler include: (a) 22,561 owned by Mr. Adler individually and (b) 10,862 shares owned by a foundation of which Mr. Adler is a trustee.

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 2016, 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, a son of Warren Eisenberg, the Company's Co-Chairman, 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 2016, his salary was $544,572 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 $12,200. He received no increase in total compensation in fiscal 2017. He has been employed by the Company since 1977.

Ronald Eisenberg, a son of Warren Eisenberg, the Company's Co-Chairman, was the founder and owner of Chef Central, Inc., a retailer of kitchenware, cookware and homeware items catering to cooking and baking enthusiasts, certain assets of which the Company acquired on January 27, 2017 (the "Acquisition"). The Acquisition was for a cash purchase price of $1,000,000, and incremental earnout payments potentially aggregating up to $1,250,000. The incremental earnout payments are dependent on the opening and continuing in operation, which opening and operation are at the Company's discretion, of up to 50 free-standing stores (or specialty departments within the Company's stores) operating under the Chef Central or other agreed upon branding. Following the Acquisition, he joined the Company as an employee to build Chef Central branded stores or departments. For fiscal 2016, his salary for the portion of the fiscal year in which he was employed by the Company was $9,616. For fiscal 2017, his salary is $250,000 per year, he received a restricted stock award valued at $60,000, and he will receive other benefits consistent with his position and tenure.

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 $233,000) on sales of merchandise in fiscal 2016 by Blue Ridge Home Fashions to the Company in the amount of approximately $23.3 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 $2.1 million in fiscal 2016. 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 2017 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 908-613-5820. We will promptly deliver separate copies of the proxy materials for the 2017 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 the Company's proxy materials for the 2018 Annual Meeting of Shareholders pursuant to the SEC's proxy rules (i.e., Rule 14a-8) must be received by the Company no later than January 31, 2018.

Any shareholder intending to include a director nominee in the Company's proxy materials for the 2018 Annual Meeting of Shareholders pursuant to Section 11 of the Company's Amended Bylaws (i.e. proxy access) should carefully review the requirements for using proxy access, as described in Section 11. The Company must receive a shareholder's nomination, with all required information, between the close of business on January 1, 2018 and the close of business on January 31, 2018.

Under the Company's Amended Bylaws, any proposal for consideration at the 2018 Annual Meeting of Shareholders submitted by a shareholder other than pursuant to the two methods described above will be considered timely only if it is received by the Company between the close of business on March 1, 2018 and the close of business on April 2, 2018, and is otherwise in compliance with the requirements set forth in the Company's Amended By-laws. If the date of the 2018 Annual Meeting of Shareholders is more than 30 days before or more than 60 days after the anniversary date of the 2017 Annual Meeting of Shareholders, notice must be received not earlier than the close of business on the 120th day prior to the 2018 Annual Meeting of Shareholders and not later than the close of business on the 90th day prior to the 2018 Annual Meeting of Shareholders, or if the first public announcement of the date of the 2018 Annual Meeting of Shareholders is less than 100 days prior to the date of the 2018 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.

Any information required to be received by the Company, as described above, should be sent to 650 Liberty Avenue, Union, New Jersey 07083, Attn: Corporate Secretary.

2016 Annual Report

BED BATH & BEYOND®

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

OVERVIEW

Bed Bath & Beyond Inc. and subsidiaries (the “Company”) is an omnichannel retailer selling a wide assortment of domestic merchandise and home furnishings which operates under the names Bed Bath & Beyond (“BBB”), Christmas Tree Shops, Christmas Tree Shops andThat! or andThat! (collectively, “CTS”), Harmon, Harmon Face Values, or 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 either in-store, online, with a mobile device or through a customer 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 addition, the Company operates Of a Kind, an e-commerce website that features specially commissioned, limited edition items from emerging fashion and home designers; One Kings Lane, an online authority in home décor and design, offering a unique collection of select home goods, designer and vintage items; PersonalizationMall.com (“PMall”), an industry-leading online retailer of personalized products; Chef Central, an online retailer of kitchenware, cookware and homeware items catering to cooking and baking enthusiasts; and Decorist, an online interior design platform that provides personalized home design services. 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 eight 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’s mission is to be trusted by its customers as the expert for the home and heart-related life events. These include certain life events that evoke strong emotional connections such as getting married, moving to a new home, having a baby, going to college and decorating a room, which the Company supports through its wedding and baby registries, new mover and student life programs, and its design consultation services. The Company’s strategy is based on building and delivering a strong foundation of differentiated products, and services and solutions, while driving operational excellence.

Through its growing analytics capabilities and personalized targeted marketing strategy, the Company strives to more efficiently and effectively understand the needs and wants of its customers as they travel through various life stages and express life interests. The Company offers an extensive selection of high quality domestics merchandise and home furnishings across all channels, concepts and countries in which it operates and strives to provide a noticeably better shopping experience through best-in-class services and solutions.

The integration of retail store and customer facing digital channels allows the Company to provide its customers with a seamless shopping experience. In-store purchases are primarily fulfilled from that store’s inventory, or may also be shipped to a customer from one of the Company’s distribution facilities, from a vendor, or from another store. Online purchases, including web and mobile, can be shipped to a customer from the Company’s distribution facilities, directly from vendors, or from a store. The Company’s customers can also choose to pick up online orders in a store, as well as return online purchases to a store. Customers can also make online purchases through one of the Company’s customer contact centers and in-store through The Beyond Store, an internal web-based platform. These capabilities allow the Company to better serve customers across various channels.

By focusing on the Company’s mission and remaining grounded in its customer-centric culture, along with maintaining strong financial discipline, the Company believes it will strengthen its position as the customer’s first choice for the home and heart-related life events and continue to achieve long-term success.

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; and the ability to assess and implement technologies in support of the Company's development of its omnichannel capabilities. 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 25, 2017 include One Kings Lane since the date of acquisition, June 14, 2016 and PMall since the date of acquisition, November 23, 2016. 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 2016 increased approximately 0.9% to $12.216 billion; net sales in fiscal 2015 increased approximately 1.9% to $12.104 billion over net sales of $11.881 billion in fiscal 2014.
- Comparable sales in fiscal 2016 decreased by approximately 0.6%, as compared to an increase of approximately 1.0% for fiscal 2015 and 2.4% for fiscal 2014. For fiscal 2016, comparable sales consummated through customer facing digital channels increased in excess of 20% over the corresponding period in the prior year, while comparable sales consummated in-store declined in the low single-digit percentage range from the corresponding period in the prior year. For fiscal 2015, comparable sales consummated through customer facing digital channels increased in excess of 25%, over the corresponding period in the prior year, while comparable sales consummated in-store declined approximately 1% from 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 customer 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 digital channel 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 digital channels 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 was excluded from the comparable sales calculations through the end of the first fiscal half of 2016, and is included beginning with the fiscal third quarter of 2016. One Kings Lane is excluded from the comparable sales calculation for fiscal 2016 and will continue to be excluded until a point following the anniversary of the acquisition, after the currently in process re-platforming of One King Lane's systems and integration of its support services have been in place for a period of time such that there would be a meaningful comparison in One Kings Lane's sales over the prior period. PMall and Chef Central are also excluded from the comparable sales calculation for fiscal 2016 and will continue to be excluded until after the anniversary of the respective 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.

- Gross profit for fiscal 2016 was $4.576 billion or 37.5% of net sales compared with $4.620 billion or 38.2% of net sales for fiscal 2015 and $4.620 billion or 38.9% of net sales for fiscal 2014.
- Selling, general and administrative expenses ("SG&A") for fiscal 2016 were $3.441 billion or 28.2% of net sales compared with $3.205 billion or 26.5% of net sales for fiscal 2015 and $3.065 billion or 25.8% of net sales for fiscal 2014.
- Interest expense, net was $69.6 million, $87.5 million and $50.5 million in fiscal 2016, 2015 and 2014, respectively.
- The effective tax rate was 35.7%, 36.6% and 36.3% for fiscal years 2016, 2015 and 2014, respectively. The tax rate included discrete tax items resulting in net benefits of approximately $18.5 million, $14.8 million and $20.0 million, respectively, for fiscal 2016, 2015 and 2014.
- For the fiscal year ended February 25, 2017, net earnings per diluted share were $4.58 ($685.1 million), a decrease of approximately 10.2%, as compared with net earnings per diluted share of $5.10 ($841.5 million) for fiscal 2015, which was an increase of approximately 1% from net earnings per diluted share of $5.07 ($957.5 million) for fiscal 2014. For the fiscal year ended February 25, 2017 the decrease in net earnings per diluted share is the result of the decrease in net earnings due to the items described above, partially offset by the Company's repurchases of its common stock. For the fiscal year ended February 27, 2016, the increase in net earnings per diluted share is 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 2016, 2015 and 2014 were $373.6 million, $328.4 million and $330.6 million, respectively. A significant portion of the current year capital expenditures included expenditures for enhancements to the Company's customer facing digital channels, ongoing investments in its data warehouse and data analytics, expenditures for the continued development and deployment of new systems and equipment in stores including the implementation of a new point of sale system into some stores, investments in new systems and support to accelerate the expansion of the Company's online assortment, the re-platforming of the One Kings Lane's systems and integration of its support services, spending related to the new distribution facility in Lewisville, Texas, the expansion of the customer contact center in Layton, Utah and enhancements to its systems, investments in new stores, including the opening of Beyond at Liberty View in Brooklyn, store relocations and store refurbishments 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 of the Company's key initiatives include: continuing to improve the presentation and content as well as the functionality, general search and navigation across its customer facing digital channels; 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 omnichannel retail platform.

During fiscal 2016, the Company opened a total of 29 new stores and closed 13 stores. 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. During the third quarter of fiscal 2016, the Company's newest distribution facility in Lewisville, Texas began shipping to customers. In fiscal 2017, the Company expects to open approximately 30 new stores company-wide, including new formats and new markets and close approximately 15 to 20 stores. Additionally, during fiscal 2017, 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 customer facing digital channels, ongoing investment in its data warehouse and data analytics and the continued development and deployment of a new point of sale system.

During fiscal 2016, 2015 and 2014, including the shares repurchased under an accelerated share repurchase agreement in fiscal 2014, the Company repurchased 12.3 million, 18.4 million and 33.0 million shares, respectively, of its common stock at a total cost of approximately $547.0 million, $1.101 billion and $2.251 billion, respectively. The Company's share repurchase program may be influenced by several factors, including business and market conditions. The Company reviews its alternatives with respect to its capital structure on an ongoing basis.

During fiscal 2016, the Company's Board of Directors authorized a quarterly dividend program. Quarterly dividends of $0.125 per share in each quarter, totaling $0.50 per share for fiscal 2016 were declared by the Company's Board of Directors, of which $0.375 per share was paid in fiscal 2016. Subsequent to the end of the fourth quarter of fiscal 2016, on April 5, 2017, the Company's Board of Directors declared a quarterly dividend of $0.15 per share to be paid on July 18, 2017 to shareholders of record at the close of business on June 16, 2017. 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.

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 25, 2017	February 27, 2016	February 28, 2015	February 25, 2017	February 27, 2016
Net sales	100.0%	100.0%	100.0%	0.9%	1.9%
Cost of sales	62.5	61.8	61.1	2.1	3.1
Gross profit	37.5	38.2	38.9	(1.0)	0.0
Selling, general and administrative expenses	28.2	26.5	25.8	7.4	4.6
Operating profit	9.3	11.7	13.1	(19.8)	(9.0)
Interest expense, net	0.6	0.7	0.4	(20.5)	73.3
Earnings before provision for income taxes	8.7	11.0	12.7	(19.7)	(11.7)
Provision for income taxes	3.1	4.0	4.6	(21.7)	(11.1)
Net earnings	5.6	7.0	8.1	(18.6)	(12.1)

Net Sales

Net sales in fiscal 2016 increased $111.9 million to $12.216 billion, representing an increase of 0.9% over $12.104 billion of net sales in fiscal 2015, which increased $222.7 million or 1.9% over the $11.881 billion of net sales in fiscal 2014. For fiscal 2016, the increase was attributable to a 1.5% increase in the Company's non-comparable sales, including One Kings Lane, PMall and new store sales, partially offset by a 0.6% decrease in comparable sales. 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.

The decrease in comparable sales for fiscal 2016 was approximately 0.6% as compared with an increase of approximately 1.0% for fiscal 2015. The decrease in comparable sales for fiscal 2016 was due to a decrease in the number of transactions, partially offset by an increase in the average transaction amount. 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 Company's comparable sales metric considers sales consummated through all retail channels – in-store, online, with a mobile device or through a customer 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 in an integrated and 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 digital channels. 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 2016, comparable sales consummated through customer facing digital channels increased in excess of 20% over the corresponding period in the prior year, while comparable sales consummated in-store declined in the low single-digit percentage range from the corresponding period in the prior year. For fiscal 2015, comparable sales consummated through customer facing digital channels increased in excess of 25%, over the corresponding period in the prior year, while comparable sales consummated in-store declined approximately 1% from the corresponding period in the prior year.

Comparable sales represented $11.701 billion, $11.723 billion and $11.517 billion of net sales for fiscal 2016, 2015 and 2014, respectively.

Sales of domestics merchandise accounted for approximately 36.8%, 35.9% and 35.9% of net sales in fiscal 2016, 2015 and 2014, respectively, of which the Company estimates that bed linens accounted for approximately 11% of net sales in fiscal 2016 and 12% of net sales in fiscal 2015 and 2014, respectively. The remaining net sales in fiscal 2016, 2015 and 2014 of 63.2%, 64.1% and 64.1%, respectively, represented sales of home furnishings. No other individual product category accounted for 10% or more of net sales during fiscal 2016, 2015 or 2014.

Gross Profit

Gross profit in fiscal 2016, 2015 and 2014 was $4.576 billion or 37.5% of net sales, $4.620 billion or 38.2% of net sales and $4.620 billion or 38.9% of net sales, respectively. The decrease in the gross profit margin as a percentage of net sales between fiscal 2016 and 2015 was primarily attributed to, in order of magnitude, an increase in coupon expense, resulting from increases in redemptions and the average coupon amount and an increase in net direct to customer shipping expense. 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.

Selling, General and Administrative Expenses

SG&A was $3.441 billion or 28.2% of net sales in fiscal 2016, $3.205 billion or 26.5% of net sales in fiscal 2015 and $3.065 billion or 25.8% of net sales in fiscal 2014. The percentage of net sales increase in SG&A between fiscal 2016 and 2015 was primarily attributable to, in order of magnitude, an increase in payroll and payroll related expense (including salaries), increased advertising expenses, due in part to the growth in digital advertising, and an increase in technology expenses and related depreciation. 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.

Operating Profit

Operating profit for fiscal 2016 was $1.135 billion or 9.3% of net sales, $1.415 billion or 11.7% of net sales in fiscal 2015 and $1.554 billion or 13.1% of net sales in fiscal 2014. The changes in operating profit as a percentage of net sales between fiscal 2016 and 2015 and between fiscal 2015 and 2014 were the result of the reductions in gross profit margin and the increases in SG&A as a percentage of net sales as described above.

The Company believes operating margin compression is likely to continue in fiscal 2017 as a result of several items, including increases in, as a percentage of net sales, coupon expense, net direct to customer shipping expense, payroll and payroll-related expense, and technology expenses, including depreciation related to the Company's ongoing investments.

Interest Expense, net

Interest expense, net was $69.6 million, $87.5 million and $50.5 million in fiscal 2016, 2015 and 2014, respectively. For fiscal 2016, fiscal 2015 and fiscal 2014, interest expense, net primarily related to interest on the senior unsecured notes issued in July 2014. For fiscal 2016, also included in interest expense, net was a benefit of $11.5 million related to changes in the fair value of the Company's nonqualified deferred compensation plan ("NQDC"). This benefit was fully offset by a corresponding increase in the NQDC liability recorded in SG&A. These changes resulted in no net impact to the consolidated statement of earnings.

Income Taxes

The effective tax rate was 35.7% for fiscal 2016, 36.6% for fiscal 2015 and 36.3% for fiscal 2014. For fiscal 2016 and fiscal 2014, the tax rate included net benefits of approximately $18.5 million and $20.0 million, respectively, primarily due to the recognition of favorable discrete federal and state tax items. For fiscal 2015, the tax rate included net benefits of approximately $14.8 million, primarily due to the recognition of favorable discrete 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. In addition, the Company anticipates a higher tax rate as the result of the adoption of ASU 2016-09, *Compensation – Stock Compensation (Topic 718) – Improvements to Share-Based Payment Accounting* in the first quarter of fiscal 2017. The effect of this adoption is expected to vary by quarter, and does not affect the Company's cash outflows for income taxes.

GROWTH

In the 24-year period from the beginning of fiscal 1992 to the end of fiscal 2016, the chain has grown from 34 stores to 1,546 stores plus the Company's interactive platforms, including websites and applications, and distribution facilities. Total store square footage, net of openings and closings, grew from approximately 0.9 million square feet at the beginning of fiscal 1992 to approximately 43.6 million square feet at the end of fiscal 2016.

In addition, as of February 25, 2017, the Company has distribution facilities totaling approximately 7.1 million square feet, supporting the growth of its customer facing digital channels as well as its stores and its institutional sales segment. During the third quarter of fiscal 2016, the Company's newest distribution facility in Lewisville, Texas, began shipping direct to customers. In fiscal 2017, the Company plans to open a 525,000 square foot distribution facility in Las Vegas, Nevada. The new facility will replace a smaller distribution facility in that area, which will close in late 2017, and provide additional capacity to support the growth of the Company's customer facing digital channels.

The Company plans to continue to invest in its infrastructure and its operations, including its digital, web and mobile capabilities, to reach its long-term objectives, including providing a better omnichannel experience for its customers. During fiscal 2017, the Company expects company-wide to open approximately 30 new stores, including new formats and new markets, and close approximately 15 to 20 stores. 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.

The Company has built its management structure with a view towards its growth and believes that, as a result, it has the necessary management depth.

LIQUIDITY AND CAPITAL RESOURCES

The Company has been able to finance its operations, including its growth and acquisitions, substantially through internally generated funds. For fiscal 2017, the Company believes that it can continue to finance its operations, including its growth, cash dividends, planned capital expenditures, debt service obligations and share repurchases, through existing and internally generated funds. In addition, if necessary, the Company could borrow under its $250 million revolving credit facility or the available balances under its lines of credit. Capital expenditures for fiscal 2017 are modeled to be relatively similar to fiscal 2016, subject to the timing and composition of projects, with more than half for information technology projects in support of the Company's growing omnichannel capabilities. In addition, the Company reviews its alternatives with respect to its capital structure on an ongoing basis.

Fiscal 2016 compared to Fiscal 2015

Net cash provided by operating activities in fiscal 2016 was $1.042 billion, compared with $1.012 billion in fiscal 2015. Year over year, the Company experienced a decrease in cash used in the net components of working capital (primarily merchandise inventories and accounts payable), partially offset by a decrease in net earnings.

Retail inventory, which includes inventory in the Company's distribution facilities for direct to customer shipments, was approximately $2.9 billion, an increase of approximately 2.2% compared to retail inventory at February 27, 2016. The percentage increase was due, in part, to the growth in the inventory in the Company's distribution facilities for direct to customer shipments as well as the inventory balances from PMall and One Kings Lane.

Net cash used in investing activities in fiscal 2016 was $491.9 million, compared with $275.6 million in fiscal 2015. In fiscal 2016, net cash used in investing activities was primarily due to $373.6 million of capital expenditures and $201.3 million of payments related to acquisitions, net of acquired cash, partially offset by $86.2 million of redemptions of investment securities. In fiscal 2015, net cash used by 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.

Net cash used in financing activities for fiscal 2016 was $580.7 million, compared with $1.089 billion in fiscal 2015. The decrease in net cash used in financing activities was primarily due to a decrease in common stock repurchases of $553.6 million partially offset by $55.6 million for the payment of dividends.

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.

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.

Other Fiscal 2016 Information

At February 25, 2017, the Company maintained two uncommitted lines of credit of $100 million each, with expiration dates of August 30, 2017 and February 25, 2018, 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 2016, the Company did not have any direct borrowings under the uncommitted lines of credit. As of February 25, 2017, there was approximately $14.0 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 25, 2017, the Company maintained unsecured standby letters of credit of $44.9 million, primarily for certain insurance programs.

The Company has a $250 million five year senior unsecured revolving credit facility agreement, expiring in August 2019, with various lenders, and for fiscal 2016 the Company did not have any borrowings.

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 2016, the Company has repurchased approximately $10.2 billion of its common stock through share repurchase programs. The Company has approximately $1.7 billion remaining of authorized share repurchases as of February 25, 2017. 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. The Company's share repurchase program could change, and would be influenced by several factors, including business and market conditions.

During fiscal 2016, the Company's Board of Directors authorized a quarterly dividend program. Quarterly dividends of $0.125 per share in each quarter, totaling $0.50 per share for fiscal 2016 were declared by the Company's Board of Directors, of which $0.375 per share was paid in fiscal 2016. Subsequent to the end of the fourth quarter of fiscal 2016, on April 5, 2017, the Company's Board of Directors declared a quarterly dividend of $0.15 per share to be paid on July 18, 2017 to shareholders of record at the close of business on June 16, 2017. 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 senior unsecured 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 25, 2017 as follows:

(in thousands)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Senior unsecured notes (1)	$1,500,000	$ —	$ —	$ —	$1,500,000
Interest on senior unsecured notes (1)	1,620,728	72,477	144,954	144,954	1,258,343
Operating lease obligations (2)	3,326,519	614,148	1,066,053	743,335	902,983
Purchase obligations (3)	1,144,776	1,144,776	—	—	—
Long-term sale/leaseback and capital lease obligations (4)	332,327	10,280	20,685	20,848	280,514
Other long-term liabilities (5)	495,510	—	—	—	—
Total Contractual Obligations	$8,419,860	$1,841,681	$1,231,692	$909,137	$3,941,840

(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 25, 2017, the Company has leased sites for 42 new or relocated locations planned for opening in fiscal 2017, 2018 or 2019, for which aggregate minimum rental payments over the term of the leases are approximately $251.7 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 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 25, 2017. 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 business is subject to seasonal influences. Generally, its sales volumes are higher in the calendar months of August, November and December, and 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 25, 2017, 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.

- Expected dividend yield is estimated based on anticipated dividend payouts.

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; competition from other 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 trade restrictions, political instability, labor disturbances, product recalls, financial or operational instability of suppliers or carriers, and other items; the ability to find suitable locations at acceptable occupancy costs and other terms to support the Company's plans for new stores; the ability to assess and implement technologies in support of the Company’s development of its omnichannel capabilities; the ability to establish and profitably maintain the appropriate mix of digital and physical presence in the markets it serves; 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, including without limitation proposed changes affecting international trade, changes to, or new tax laws or interpretation of existing tax laws, including without limitation the proposed border adjustment tax; new, or developments in existing, litigation, claims or assessments; 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 25, 2017	February 27, 2016
Assets		
Current assets:		
Cash and cash equivalents	**$ 488,329**	$ 515,573
Short term investment securities	**—**	86,197
Merchandise inventories	**2,905,660**	2,848,119
Other current assets	**416,755**	376,073
Total current assets	**3,810,744**	3,825,962
Long term investment securities	**89,592**	71,289
Property and equipment, net	**1,837,129**	1,725,043
Goodwill	**697,085**	487,169
Other assets	**411,479**	380,614
Total assets	**$ 6,846,029**	$ 6,490,077
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$ 1,179,088**	$ 1,100,958
Accrued expenses and other current liabilities	**484,114**	409,445
Merchandise credit and gift card liabilities	**309,478**	297,930
Current income taxes payable	**59,821**	58,892
Total current liabilities	**2,032,501**	1,867,225
Deferred rent and other liabilities	**534,677**	499,368
Income taxes payable	**67,971**	72,807
Long term debt	**1,491,603**	1,491,137
Total liabilities	**4,126,752**	3,930,537
Shareholders' equity:		
Preferred stock – $0.01 par value; authorized – 1,000 shares; no shares issued or outstanding	**—**	—
Common stock – $0.01 par value; authorized – 900,000 shares; issued 339,533 and 337,613 shares, respectively; outstanding 146,274 and 156,690 shares, respectively	**3,395**	3,377
Additional paid-in capital	**1,974,781**	1,884,813
Retained earnings	**11,003,890**	10,394,865
Treasury stock, at cost	**(10,215,539)**	(9,668,517)
Accumulated other comprehensive loss	**(47,250)**	(54,998)
Total shareholders' equity	**2,719,277**	2,559,540
Total liabilities and shareholders' equity	**$ 6,846,029**	$ 6,490,077

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

(in thousands, except per share data)

	Twelve Months Ended		
	February 25, 2017	**February 27, 2016**	**February 28, 2015**
Net sales	**$12,215,757**	$12,103,887	$11,881,176
Cost of sales	**7,639,407**	7,483,577	7,261,397
Gross profit	**4,576,350**	4,620,310	4,619,779
Selling, general and administrative expenses	**3,441,140**	3,205,407	3,065,486
Operating profit	**1,135,210**	1,414,903	1,554,293
Interest expense, net	**69,555**	87,458	50,458
Earnings before provision for income taxes	**1,065,655**	1,327,445	1,503,835
Provision for income taxes	**380,547**	485,956	546,361
Net earnings	**$ 685,108**	$ 841,489	$ 957,474
Net earnings per share – Basic	**$ 4.61**	$ 5.15	$ 5.13
Net earnings per share – Diluted	**$ 4.58**	$ 5.10	$ 5.07
Weighted average shares outstanding – Basic	**148,590**	163,257	186,659
Weighted average shares outstanding – Diluted	**149,708**	165,016	188,880
Dividends declared per share	**$ 0.50**	$ —	$ —

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(in thousands)

	Twelve Months Ended		
	February 25, 2017	**February 27, 2016**	**February 28, 2015**
Net earnings	**$685,108**	$841,489	$957,474
Other comprehensive income (loss):			
Change in temporary impairment of auction rate securities, net of taxes	**(351)**	1,584	143
Pension adjustment, net of taxes	**1,710**	(351)	(5,552)
Currency translation adjustment	**6,389**	(13,918)	(23,057)
Other comprehensive income (loss)	**7,748**	(12,685)	(28,466)
Comprehensive income	**$692,856**	$828,804	$929,008

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

(in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount		
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, net of tax							(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, net of tax							(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)
Balance at February 27, 2016	337,613	3,377	1,884,813	10,394,865	(180,923)	(9,668,517)	(54,998)	2,559,540
Net earnings				685,108				685,108
Other comprehensive income, net of tax							7,748	7,748
Dividend declared				(76,083)				(76,083)
Shares sold under employee stock option plans, net of taxes	634	6	15,700					15,706
Issuance of restricted shares, net	1,102	11	(11)					—
Payment and vesting of performance stock units	180	1	(1)					—
Stock-based compensation expense, net			74,114					74,114
Director fees paid in stock	4		166					166
Repurchase of common stock, including fees					(12,336)	(547,022)		(547,022)
Balance at February 25, 2017	**339,533**	**$3,395**	**$1,974,781**	**$11,003,890**	**(193,259)**	**$(10,215,539)**	**$(47,250)**	**$ 2,719,277**

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands)

	Twelve Months Ended		
	February 25, 2017	**February 27, 2016**	**February 28, 2015**
Cash Flows from Operating Activities:			
Net earnings	**$ 685,108**	$ 841,489	$ 957,474
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	**290,914**	273,947	239,193
Stock-based compensation	**71,911**	66,965	66,539
Excess tax benefit from stock-based compensation	**(1,483)**	(10,370)	(14,561)
Deferred income taxes	**24,878**	56,997	(22,295)
Other	**(1,032)**	398	(2,244)
(Increase) decrease in assets, net of effect of acquisitions:			
Merchandise inventories	**(38,493)**	(121,748)	(161,506)
Trading investment securities	**(18,780)**	(2,270)	(9,530)
Other current assets	**(18,464)**	(16,171)	19,012
Other assets	**(14,480)**	(27,904)	(254)
Increase (decrease) in liabilities, net of effect of acquisitions:			
Accounts payable	**49,458**	(48,148)	44,563
Accrued expenses and other current liabilities	**(8,586)**	6,694	18,494
Merchandise credit and gift card liabilities	**11,390**	(7,872)	22,520
Income taxes payable	**(8,307)**	(15,036)	17,656
Deferred rent and other liabilities	**17,754**	15,213	3,428
Net cash provided by operating activities	**1,041,788**	1,012,184	1,178,489
Cash Flows from Investing Activities:			
Purchase of held-to-maturity investment securities	**—**	(103,017)	(298,094)
Redemption of held-to-maturity investment securities	**86,240**	126,875	677,500
Redemption of available-for-sale investment securities	**—**	28,905	—
Capital expenditures	**(373,574)**	(328,395)	(330,637)
Investment in unconsolidated joint venture	**(3,318)**	—	—
Payment for acquisitions, net of cash acquired	**(201,277)**	—	—
Net cash (used in) provided by investing activities	**(491,929)**	(275,632)	48,769
Cash Flows from Financing Activities:			
Proceeds from exercise of stock options	**20,424**	9,109	41,197
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	**1,483**	10,370	14,561
Payment of dividends	**(55,612)**	—	—
Repurchase of common stock, including fees	**(547,022)**	(1,100,585)	(2,250,597)
Net cash used in financing activities	**(580,727)**	(1,088,752)	(704,931)
Effect of exchange rate changes on cash and cash equivalents	**3,624**	(7,801)	(13,269)
Net (decrease) increase in cash and cash equivalents	**(27,244)**	(360,001)	509,058
Cash and cash equivalents:			
Beginning of period	**515,573**	875,574	366,516
End of period	**$ 488,329**	$ 515,573	$ 875,574

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 an omnichannel retailer which operates under the names Bed Bath & Beyond ("BBB"), Christmas Tree Shops, Christmas Tree Shops andThat! or andThat! (collectively, "CTS"), Harmon, Harmon Face Values or 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 customer 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 addition, the Company operates Of a Kind, an e-commerce website that features specially commissioned, limited edition items from emerging fashion and home designers, which was acquired in the second quarter of fiscal 2015. The Company purchased One Kings Lane, an online authority in home décor and design, offering a unique collection of select home goods, designer and vintage items, during the second quarter of fiscal 2016; PersonalizationMall.com ("PMall"), an industry-leading online retailer of personalized products, during the third quarter of fiscal 2016; and certain assets of Chef Central, a retailer of kitchenware, cookware and homeware items catering to cooking and baking enthusiasts, during the fourth quarter of fiscal 2016. (See "Acquisitions," Note 2). 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 eight 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. for the Company were not material for fiscal 2016, 2015 and 2014.

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 36.8% and 63.2% of net sales, respectively, for fiscal 2016 and approximately 35.9% and 64.1% of net sales, respectively for fiscal 2015 and 2014. As the Company operates in the retail industry, its results of operations are affected by general economic conditions and consumer spending habits.

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 2016, fiscal 2015 and fiscal 2014 represented 52 weeks and ended on February 25, 2017, February 27, 2016 and February 28, 2015, 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 2015 consolidated balance sheet to conform to the fiscal 2016 consolidated balance sheet presentation, as well as to the fiscal 2014 consolidated statement of cash flows to conform to the fiscal 2016 and 2015 consolidated statements 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 five business days, of $86.6 million and $89.4 million as of February 25, 2017 and February 27, 2016, respectively.

F. Investment Securities

Investment securities consist primarily of auction rate securities, which are securities with interest rates that reset periodically through an auction process. 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 25, 2017 and February 27, 2016, but do not affect the underlying collateral of the securities. (See "Fair Value Measurements," Note 3 and "Investment Securities," Note 4). All income from these investments is recorded as interest income. In fiscal 2015, the Company also had investments in U.S. Treasury Bills with remaining maturities of less than one year. 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.

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 and are depreciated 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 $131.6 million, $130.9 million and $120.3 million for fiscal 2016, 2015 and 2014, 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 25, 2017, 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 25, 2017 and February 27, 2016, respectively, are $305.3 million and $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 $80.3 million and $77.3 million as of February 25, 2017 and February 27, 2016, 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 $119.4 million and $119.8 million as of February 25, 2017 and February 27, 2016, 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 2016, the Company has repurchased approximately $10.2 billion of its common stock through share repurchase programs, which include the shares repurchased under the ASR. The Company also acquires shares of its common stock to cover employee related taxes withheld on vested restricted stock and performance stock unit awards.

During fiscal 2016, the Company repurchased approximately 12.3 million shares of its common stock at a total cost of approximately $547.0 million. 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. The Company has approximately $1.7 billion remaining of authorized share repurchases as of February 25, 2017.

The Company's Board of Directors authorized a quarterly dividend program and declared quarterly dividends of $0.125 per share in each quarter of fiscal 2016, totaling $0.50 per share for fiscal 2016. Subsequent to the end of the fourth quarter of fiscal 2016, on April 5, 2017, the Company's Board of Directors declared a quarterly dividend of $0.15 per share to be paid on July 18, 2017 to shareholders of record at the close of business on June 16, 2017. 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.

Cash dividends, if any, are accrued as a liability on the Company's consolidated balance sheets and recorded as a decrease to additional paid-in capital when declared.

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 auction rate securities, which are stated at their approximate fair value. In fiscal 2015, the Company also had investments in U.S. Treasury securities, which are stated at amortized cost. 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 3). The fair value of the Company's long term debt is approximately $1.418 billion, as of February 25, 2017 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 $37.4 million, $31.7 million and $25.6 million for fiscal 2016, 2015 and 2014, 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 $381.1 million, $338.1 million and $308.4 million for fiscal 2016, 2015 and 2014, 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 is computed by dividing net earnings by the weighted average number of shares outstanding. Diluted earnings per share is 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 4.4 million, 2.6 million and 1.7 million shares were excluded from the computation of diluted earnings per share as the effect would be anti-dilutive for fiscal 2016, 2015 and 2014, respectively.

W. Recent Accounting Pronouncements

In May 2014, the 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. In 2016, the FASB issued several amendments to clarify various aspects of the implementation guidance. 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 Company does not expect to adopt this ASU until required, and has not yet selected the transition method. The Company is in the process of analyzing its revenue streams and quantifying the effects, if any, to the areas discussed above, and currently does not expect the adoption of this standard will have a material impact on its 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 Company adopted this guidance at the beginning of the first quarter of fiscal 2016 and reclassified debt issuance costs from other assets to long term debt on a retrospective basis. The adoption of this guidance and prior fiscal year reclassifications did not have a material impact 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 assets and liabilities 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 prospectively or retrospectively to each prior reporting period presented. The Company will adopt this ASU in the first quarter of fiscal 2017. 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 currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures, but expects that it will result in a significant increase in the assets and liabilities recorded on the consolidated balance sheet.

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718)—Improvements to Employee Share-Based Payment Accounting*, which simplifies several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 requires, on a prospective basis, recognition of excess tax benefits and tax deficiencies (resulting from an increase or decrease in the fair value of an award from grant date to the vesting or exercise date) in the provision for income taxes as a discrete item in the period in which they occur. The ASU will also change the classification of excess tax benefits from a financing activity to an operating activity in the Company's consolidated statements of cash flows. In addition, ASU 2016-09 allows companies to make an accounting policy election to either estimate expected forfeitures or account for them as they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those years, with early adoption permitted. The Company will adopt this ASU in the first quarter of fiscal 2017. The Company is currently evaluating the adoption of this guidance on its consolidated financial position, results of operations and cash flows. However, the Company currently expects the change relating to excess tax benefits or deficiencies will introduce increased volatility to the provision for income taxes, as the recognition of these amounts are dependent on exercise patterns which are inherently unpredictable.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business.* ASU 2017-01 requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of identifiable assets, the set of assets would not represent a business. Also, in order to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to produce outputs. Under the update, fewer sets of assets are expected to be considered businesses. ASU 2017-01 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. 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 January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. ASU 2017-04 eliminates the requirement to calculate the implied fair value of goodwill to measure the amount of impairment loss, if any, under the second step of the current goodwill impairment test. Under the update, the goodwill impairment loss would be measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. 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.

2. ACQUISITIONS

During the second quarter of fiscal 2015, the Company acquired Of a Kind, Inc., an e-commerce website that features specially commissioned, limited edition items from emerging fashion and home designers. Since the date of acquisition, the results of Of a Kind's operations, which were not material, have been included in the Company's results of operations for the fiscal years ended February 25, 2017 and February 27, 2016. Of a Kind is included in the North American Retail operating segment.

On June 13, 2016, the Company acquired One Kings Lane, Inc., an online authority in home décor and design, offering a unique collection of select home goods, designer and vintage items. Since the date of acquisition, the results of One Kings Lane's operations, which were not material, have been included in the Company's results of operations for the fiscal year ended February 25, 2017. One Kings Lane is included in the North American Retail operating segment.

On November 23, 2016, the Company acquired PersonalizationMall.com, LLC, an industry-leading online retailer of personalized products, for an aggregate purchase price of approximately $189.4 million. Since the date of acquisition, the result of PMall's operations, which were not material, have been included in the results of operations for the fiscal year ended February 25, 2017 and no proforma disclosure of financial information has been presented. PMall is included in the North American Retail operating segment.

The following table summarizes the preliminary estimated fair value of the assets acquired and liabilities assumed at the date of acquisition for PMall. The Company is in the process of finalizing the valuation of certain assets acquired and liabilities assumed; thus, the amounts below are subject to change until the anniversary of the acquisition.

(in millions)	As of November 23, 2016
Current assets	$ 15.1
Property and equipment and other non-current assets	15.1
Goodwill	178.1
Intangible assets	12.0
Total assets acquired	220.3
Accounts payable and other liabilities	(30.9)
Total net assets acquired	$189.4

Included within intangible assets above is approximately $10.0 million for tradenames, which is not subject to amortization. The tradenames and goodwill are expected to be deductible for tax purposes.

On January 27, 2017, the Company acquired certain assets including the brand, website and certain intellectual property assets and assumed certain contractual obligations of Chef Central, a retailer of kitchenware, cookware and homeware items catering to cooking and baking enthusiasts. Since the date of acquisition, the results of Chef Central's operations, which were not material, have been included in the Company's results of operations for the fiscal year ended February 25, 2017. Chef Central is included in the North American Retail operating segment. (See "Transactions and Balances with Related Parties," Note 8).

Subsequent to the end of fiscal 2016, the Company acquired Decorist, Inc., an online interior design platform that provides personalized home design services. The acquisition had no effect on the Company's fiscal 2016 results since the transaction occurred during fiscal 2017. The Company believes the benefit of this acquisition will not have a material effect on the overall results or financial condition of the Company for fiscal 2017.

3. 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 25, 2017, 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 4).

4. INVESTMENT SECURITIES

The Company's investment securities as of February 25, 2017 and February 27, 2016 are as follows:

(in millions)	**February 25, 2017**	**February 27, 2016**
Available-for-sale securities:		
Long term	**$19.3**	$ 19.8
Trading securities:		
Long term	**70.3**	51.5
Held-to-maturity securities:		
Short term	**—**	86.2
Total investment securities	**$89.6**	$157.5

Auction Rate Securities

As of February 25, 2017 and February 27, 2016, the Company's long term available-for-sale investment securities represented approximately $20.3 million par value of auction rate securities, consisting of preferred shares of closed end municipal bond funds, less temporary valuation adjustments of approximately $1.0 million and $0.5 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 25, 2017, the Company had no short term held-to-maturity securities. As of February 27, 2016, the Company's short term held-to-maturity securities included approximately $86.2 million 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 \$70.3 million and \$51.5 million as of February 25, 2017 and February 27, 2016, respectively.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

(in thousands)	**February 25, 2017**	**February 27, 2016**
Land and buildings	**\$ 579,514**	\$ 567,602
Furniture, fixtures and equipment	**1,332,038**	1,240,181
Leasehold improvements	**1,454,749**	1,341,596
Computer equipment and software	**1,290,690**	1,106,812
	4,656,991	4,256,191
Less: Accumulated depreciation	**(2,819,862)**	(2,531,148)
Property and equipment, net	**\$ 1,837,129**	\$ 1,725,043

6. 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 25, 2017.

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

The Company has a \$250 million five year senior unsecured revolving credit facility agreement ("Revolver"), expiring in August 2019, with various lenders. For fiscal 2016 and 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 25, 2017.

Deferred financing costs associated with the Notes and the Revolver of approximately $10.1 million were capitalized. In the accompanying consolidated balance sheets, the deferred financing costs are included in long term debt, net of amortization, for the Notes and are included in other assets, net of amortization, for the Revolver. These deferred financing costs for the Notes and the Revolver 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 $73.4 million for fiscal 2016, $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 25, 2017, the Company maintained two uncommitted lines of credit of $100 million each, with expiration dates of August 30, 2017 and February 25, 2018, 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 2016 and 2015, the Company did not have any direct borrowings under the uncommitted lines of credit. As of February 25, 2017, there was approximately $14.0 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 25, 2017, the Company maintained unsecured standby letters of credit of $44.9 million, primarily for certain insurance programs.

7. PROVISION FOR INCOME TAXES

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

	FISCAL YEAR ENDED		
(in thousands)	**February 25, 2017**	**February 27, 2016**	**February 28, 2015**
Current:			
Federal	**$313,571**	$389,039	$504,154
State and local	**42,101**	39,991	64,486
	355,672	429,030	568,640
Deferred:			
Federal	**20,295**	42,592	(18,245)
State and local	**4,580**	14,334	(4,034)
	24,875	56,926	(22,279)
	$380,547	$485,956	$546,361

At February 25, 2017 and February 26, 2016, included in other current assets is a net current deferred income tax asset of $218.9 million and $201.5 million, respectively, and included in deferred rent and other liabilities is a net noncurrent deferred income tax liability of $23.4 million and $2.4 million, respectively. 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:

(in thousands)	February 25, 2017	February 27, 2016
Deferred tax assets:		
Inventories	**$ 33,120**	$ 30,470
Deferred rent and other rent credits	**73,577**	74,182
Insurance	**60,789**	51,238
Stock-based compensation	**41,715**	39,417
Nonqualified deferred compensation plan	**27,857**	21,688
Merchandise credits and gift card liabilities	**63,031**	66,496
Accrued expenses	**57,401**	46,226
Obligations on distribution facilities	**40,363**	40,704
Net operating loss carryforwards and other tax credits	**18,186**	22,253
Other	**84,232**	69,088
Deferred tax liabilities:		
Depreciation	**(137,144)**	(104,781)
Goodwill	**(69,127)**	(62,252)
Intangibles	**(82,688)**	(81,150)
Other	**(15,843)**	(14,525)
	$ 195,469	$ 199,054

At February 25, 2017, the Company has federal net operating loss carryforwards of $9.6 million (tax effected), which will begin expiring in 2025, state net operating loss carryforwards of $4.5 million (tax effected), which will expire between 2016 and 2031, California state enterprise zone credit carryforwards of $3.1 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:

(in thousands)	February 25, 2017	February 27, 2016
Balance at beginning of year	**$72,807**	$ 79,985
Increase related to current year positions	**14,491**	16,662
Increase related to prior year positions	**413**	2,104
Decrease related to prior year positions	**(4,202)**	(14,698)
Settlements	**—**	(5,865)
Lapse of statute of limitations	**(7,094)**	(5,381)
Balance at end of year	**$76,415**	$ 72,807

Gross unrecognized tax benefits are classified in non-current income taxes payable (or a contra deferred tax asset) on the consolidated balance sheet for uncertain tax positions taken (or expected to be taken) on a tax return. As of February 25, 2017 and February 27, 2016, approximately $76.3 million and $72.7 million, respectively, of gross unrecognized tax benefits would impact the Company's effective tax rate. As of February 25, 2017 and February 27, 2016, the liability for gross unrecognized tax benefits included approximately $8.1 million and $10.5 million, respectively, of accrued interest. The Company recorded a decrease of interest of approximately $2.4 million and $2.5 million, respectively, for the years ended February 25, 2017 and February 27, 2016 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 $3 to $4 million in the next twelve months. However, actual results could differ from those currently anticipated.

As of February 25, 2017, 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 2016, 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 3.25%, provision for uncertain tax positions of 0.28% and other income tax benefits of 2.82%. 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 0.07% 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%.

8. 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 25, 2017 and February 27, 2016.

On January 27, 2017, the Company acquired certain assets including the brand, website and certain intellectual property assets and assumed certain contractual obligations of Chef Central, a retailer of kitchenware, cookware and homeware items catering to cooking and baking enthusiasts. Ron Eisenberg, the son of Warren Eisenberg, the Company's Co-Chairman, was the founder and owner of Chef Central, and joined the Company as an employee to build Chef Central branded stores or departments. Mr. Eisenberg brought more than 30 years of specialty retail experience and the transaction also added knowledgeable and talented associates to the Company with great culinary retailing expertise. Warren Eisenberg recused himself from Board of Director deliberations relating to the transaction (See "Acquisitions," Note 2).

9. 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 2016, 2015 and 2014), 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 25, 2017, future minimum lease payments under non-cancelable operating leases were as follows:

(in thousands)	Operating Leases
Fiscal Year:	
2017	$ 614,148
2018	563,682
2019	502,371
2020	419,526
2021	323,809
Thereafter	902,983
Total future minimum lease payments	$3,326,519

Expenses for all operating leases were $582.2 million, $568.1 million and $566.0 million for fiscal 2016, 2015 and 2014, respectively.

As of February 25, 2017 and February 27, 2016, the capital lease obligations were approximately $5.1 million and $6.5 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, $0.4 million and $0.5 million for fiscal 2016, 2015 and 2014, respectively. The minimum capital lease payments, including interest, by fiscal year are: $1.0 million in fiscal 2017, $0.9 million in fiscal 2018, $0.9 million in fiscal 2019, $0.8 million in fiscal 2020, $0.7 million in fiscal 2021 and $2.1 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 37 years. As of February 25, 2017 and February 27, 2016, the sale/leaseback financing obligations were approximately $103.3 million and $104.0 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 2017, $0.8 million in fiscal 2018, $0.8 million in fiscal 2019, $0.9 million in fiscal 2020, $0.9 million in fiscal 2021 and $77.4 million thereafter.

10. 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 $15.2 million, $13.9 million and $13.2 million for fiscal 2016, 2015 and 2014, 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 $0.5 million, $0.6 million and $0.7 million in fiscal 2016, 2015 and 2014, 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 25, 2017, February 27, 2016 and February 28, 2015, the net periodic pension cost was not material to the Company's results of operations. The Company has a $19.3 million and $20.4 million liability, which is included in deferred rent and other liabilities as of February 25, 2017 and February 27, 2016, respectively. In addition, as of February 25, 2017 and February 27, 2016, the Company recognized a loss of $4.7 million, net of taxes of $3.0 million, and a loss of $6.5 million, net of taxes of $4.2 million, respectively, within accumulated other comprehensive loss.

11. COMMITMENTS AND CONTINGENCIES

The Company maintains employment agreements with its Co-Chairmen, which extend through May 26, 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.

12. SUPPLEMENTAL CASH FLOW INFORMATION

The Company paid income taxes of $364.4 million, $442.4 million and $554.4 million in fiscal 2016, 2015 and 2014, respectively. In addition, the Company had interest payments of approximately $81.4 million, $81.5 million and $48.2 million in fiscal 2016, 2015 and 2014, respectively.

The Company recorded an accrual for capital expenditures of $59.0 million, $51.7 million and $57.8 million as of February 25, 2017, February 27, 2016 and February 28, 2015, respectively.

13. 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 25, 2017, February 27, 2016 and February 28, 2015 was approximately $71.9 million ($46.3 million after tax or $0.31 per diluted share), approximately $67.0 million ($42.4 million after tax or $0.26 per diluted share) and approximately $66.5 million ($42.4 million after tax or $0.22 per diluted share), respectively. In addition, the amount of stock- based compensation cost capitalized for the years ended February 25, 2017 and February 27, 2016 was approximately $2.2 million and $2.1 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 25, 2017, unrecognized compensation expense related to the unvested portion of the Company's stock options was $21.0 million, which is expected to be recognized over a weighted average period of 2.9 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.

	FISCAL YEAR ENDED		
Black-Scholes Valuation Assumptions (1)	**February 25, 2017**	**February 27, 2016**	**February 28, 2015**
Weighted Average Expected Life (in years) (2)	6.6	6.7	6.6
Weighted Average Expected Volatility (3)	26.96%	27.59%	28.31%
Weighted Average Risk Free Interest Rates (4)	1.46%	1.93%	2.11%
Expected Dividend Yield (5)	1.10%	—	—

(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.
(5) Expected dividend yield is estimated based on anticipated dividend payouts.

Changes in the Company's stock options for the fiscal year ended February 25, 2017 were as follows:

(Shares in thousands)	Number of Stock Options	Weighted Average Exercise Price
Options outstanding, beginning of period	3,838	$54.43
Granted	703	45.53
Exercised	(635)	31.94
Forfeited or expired	—	—
Options outstanding, end of period	3,906	$56.48
Options exercisable, end of period	2,262	$55.02

The weighted average fair value for the stock options granted in fiscal 2016, 2015 and 2014 was $11.87, $23.12 and $20.96, respectively. The weighted average remaining contractual term and the aggregate intrinsic value for options outstanding as of February 25, 2017 was 4.0 years and $4.6 million, respectively. The weighted average remaining contractual term and the aggregate intrinsic value for options exercisable as of February 25, 2017 was 2.6 years and $4.6 million, respectively. The total intrinsic value for stock options exercised during fiscal 2016, 2015 and 2014 was $9.0 million, $8.7 million and $33.5 million, respectively.

Net cash proceeds from the exercise of stock options for fiscal 2016 were $20.4 million and the net associated income tax benefit was $0.4 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 25, 2017, unrecognized compensation expense related to the unvested portion of the Company's restricted stock awards was $132.7 million, which is expected to be recognized over a weighted average period of 4.1 years.

Changes in the Company's restricted stock for the fiscal year ended February 25, 2017 were as follows:

(Shares in thousands)	Number of Restricted Shares	Weighted Average Grant-Date Fair Value
Unvested restricted stock, beginning of period	3,230	$62.71
Granted	1,287	44.83
Vested	(834)	55.13
Forfeited	(191)	59.29
Unvested restricted stock, end of period	3,492	$58.12

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 over periods of up to four years, 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 and performance during the three-year period will be based on Return on Invested Capital ("ROIC") relative to such peer group. The awards based on EBIT margin and ROIC range from a floor of zero to a cap of 150% of target achievement. 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 25, 2017, unrecognized compensation expense related to the unvested portion of the Company's performance stock units was $23.7 million, which is expected to be recognized over a weighted average period of 1.8 years.

Changes in the Company's PSUs for the fiscal year ended February 25, 2017 were as follows:

(Shares in thousands)	Number of Performance Stock Units	Weighted Average Grant-Date Fair Value
Unvested performance stock units, beginning of period	627	$67.15
Granted	566	45.53
Vested	(179)	66.53
Forfeited	—	—
Unvested performance stock units, end of period	1,014	$55.19

14. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

	FISCAL 2016 QUARTER ENDED				FISCAL 2015 QUARTER ENDED			
(in thousands, except per share data)	**May 28, 2016**	**August 27, 2016**	**November 26, 2016**	**February 25, 2017**	**May 30, 2015**	**August 29, 2015**	**November 28, 2015**	**February 27, 2016**
Net sales	$2,738,084	$2,988,235	$2,955,484	$3,533,954	$2,738,495	$2,995,469	$2,952,031	$3,417,892
Gross profit	1,023,592	1,116,893	1,092,774	1,343,091	1,044,133	1,140,950	1,115,311	1,319,916
Operating profit	213,026	280,973	211,283	429,928	273,269	350,194	292,858	498,582
Earnings before provision for income taxes	196,711	262,774	193,029	413,141	253,368	325,141	274,806	474,130
Provision for income taxes	74,092	95,439	66,605	144,411	94,917	123,463	96,990	170,586
Net earnings	$ 122,619	$ 167,335	$ 126,424	$ 268,730	$ 158,451	$ 201,678	$ 177,816	$ 303,544
EPS-Basic (1)	$ 0.81	$ 1.12	$ 0.86	$ 1.86	$ 0.94	$ 1.22	$ 1.10	$ 1.93
EPS-Diluted (1)	$ 0.80	$ 1.11	$ 0.85	$ 1.84	$ 0.93	$ 1.21	$ 1.09	$ 1.91
Dividends declared per share	$ 0.125	$ 0.125	$ 0.125	$ 0.125	$ —	$ —	$ —	$ —

(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 25, 2017 and February 27, 2016, 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 25, 2017. 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 25, 2017 and February 27, 2016, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended February 25, 2017, 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 25, 2017, 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 25, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Short Hills, New Jersey
April 25, 2017

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 25, 2017, 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 25, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Bed Bath & Beyond Inc. acquired One Kings Lane, Inc. on June 14, 2016 and PersonalizationMall.com, Inc. on November 23, 2016 (the "Acquired Companies"), and management excluded from its assessment of the effectiveness of Bed Bath & Beyond Inc.'s internal control over financial reporting as of February 25, 2017, the Acquired Companies' internal control over financial reporting associated with total assets and total net sales of less than 5% of the Company's total assets and total net sales included in the consolidated financial statements of Bed Bath & Beyond Inc. as of and for the fiscal year ended February 25, 2017. Our audit of internal control over financial reporting of Bed Bath & Beyond Inc. also excluded an evaluation of the internal control over financial reporting of the Acquired Companies.

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 25, 2017 and February 27, 2016, 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 25, 2017, and our report dated April 25, 2017 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Short Hills, New Jersey
April 25, 2017

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 25, 2017. 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.

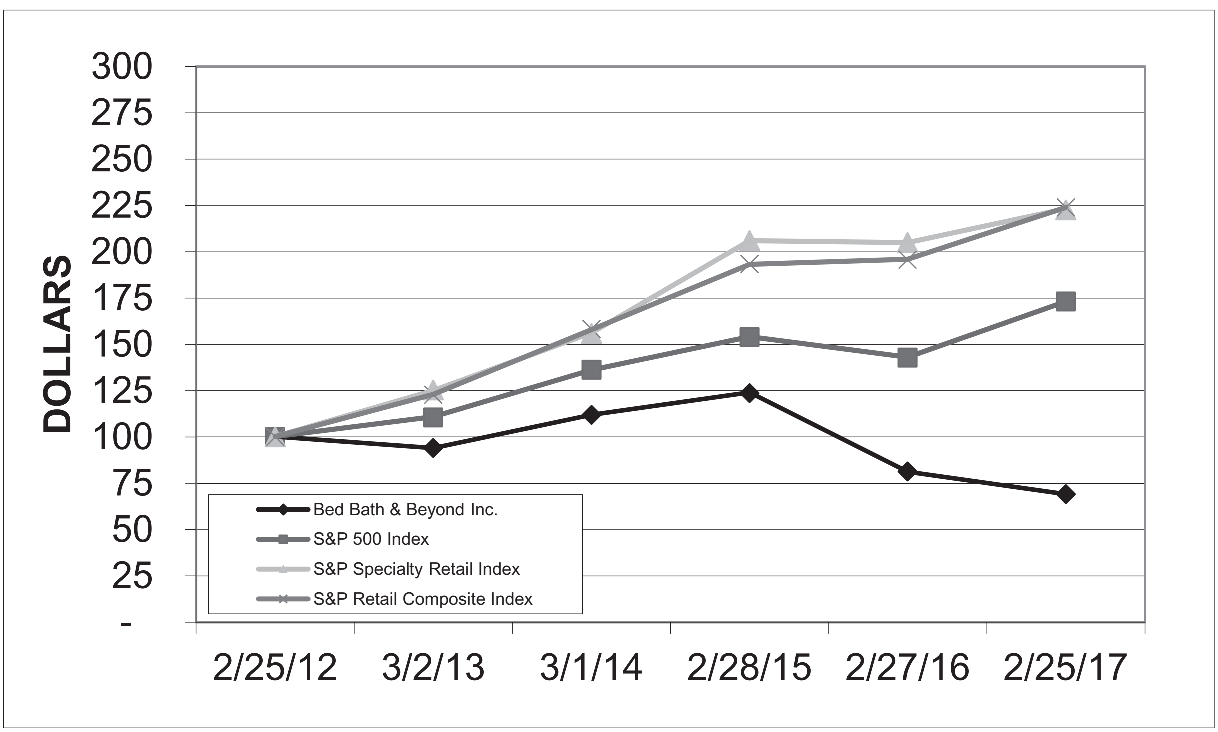
Pursuant to the Securities and Exchange Commission's guidance, a recently acquired business may be omitted from the scope of the assessment of the effectiveness of internal control over financial reporting in the year of acquisition, and therefore the recently acquired businesses, as described in "Acquisitions," Note 2 to the consolidated financial statements, have been excluded. Both total assets and total net sales of the acquired businesses are less than 5% of our total assets and total net sales as of February 25, 2017.

Our management has concluded that, as of February 25, 2017, our internal control over financial reporting is effective based on these criteria.

April 25, 2017

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 25, 2012, 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 2016 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.

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 Global Select Market under the symbol BBBY.

Annual Meeting

The Annual Meeting of Shareholders will be held at 9 a.m. June 29, 2017, 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 Global Select Market during fiscal 2016 and fiscal 2015:

QUARTER	HIGH	LOW
Fiscal 2016		
First	**$52.09**	**$42.00**
Second	**46.50**	**41.86**
Third	**46.37**	**38.67**
Fourth	**48.08**	**39.26**
Fiscal 2015		
First	$77.68	$69.65
Second	71.53	59.93
Third	63.33	52.89
Fourth	54.52	41.94

At May 5, 2017, there were approximately 6,100 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 15th Avenue
Brooklyn, New York 11219
Telephone: 800/937-5449

Websites

www.andthat.com
www.bedbathandbeyond.com
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