

BED BATH & BEYOND INC.

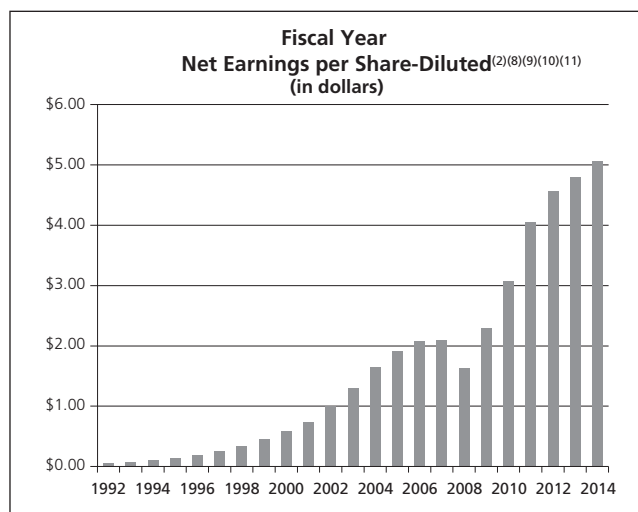
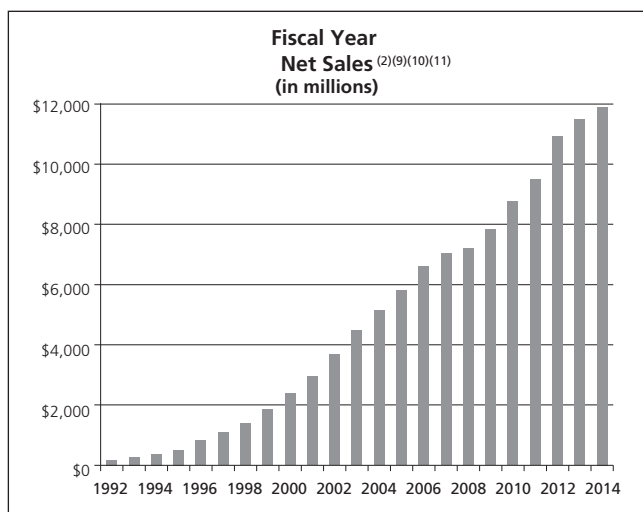
Notice of 2015 Annual Meeting of Shareholders

Proxy Statement

2014 Annual Report

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

	Fiscal Year Ended ⁽¹⁾				
	February 28, 2015	March 1, 2014	March 2, 2013 ⁽²⁾	February 25, 2012	February 26, 2011
STATEMENT OF EARNINGS DATA:					
Net sales	\$11,881,176	\$11,503,963	\$10,914,585	\$ 9,499,890	\$ 8,758,503
Gross profit	4,619,779	4,565,582	4,388,755	3,930,933	3,622,929
Operating profit	1,554,293	1,614,587	1,638,218	1,568,369	1,288,458
Net earnings	957,474	1,022,290	1,037,788	989,537	791,333
Net earnings per share – Diluted	\$ 5.07	\$ 4.79	\$ 4.56	\$ 4.06	\$ 3.07
SELECTED OPERATING DATA:					
Number of stores open (at period end)	1,513	1,496	1,471	1,173	1,139
Total square feet of store space (at period end)	43,041,000	42,619,000	42,030,000	36,125,000	35,055,000
Percentage increase in comparable sales	2.4%	2.4%	2.7%	5.9%	7.8%
Comparable sales (in 000's) ⁽³⁾	\$11,517,454	\$10,660,573	\$ 9,819,904	\$ 9,157,183	\$ 8,339,112
BALANCE SHEET DATA (AT PERIOD END):					
Working capital	\$ 2,140,922	\$ 1,953,851	\$ 2,216,323	\$ 2,760,619	\$ 2,748,763
Total assets	6,758,993	6,356,033	6,279,952	5,724,546	5,646,193
Long-term sale/leaseback and capital lease obligations ⁽⁴⁾	106,948	108,046	108,364	—	—
Long-term debt ⁽⁵⁾	1,500,000	—	—	—	—
Shareholders' equity ⁽⁶⁾⁽⁷⁾	\$ 2,743,190	\$ 3,941,287	\$ 4,079,730	\$ 3,922,528	\$ 3,931,659



- (1) Each fiscal year represents 52 weeks, except for fiscal 2012 (ended March 2, 2013) which represents 53 weeks.
- (2) The Company acquired Linen Holdings, LLC. on June 1, 2012 and Cost Plus, Inc. on June 29, 2012.
- (3) Comparable sales include sales consummated through all retail channels which have been operating for twelve full months following the opening period (typically four to six weeks). Linen Holdings is excluded from the comparable sales calculations and will continue to be excluded on an ongoing basis as it represents non-retail activity.
- (4) As a result of the Cost Plus, Inc. acquisition, the Company assumed two sale/leaseback and various capital lease obligations.
- (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.
- (6) The Company has not declared any cash dividends in any of the fiscal years noted above.
- (7) In fiscal 2014, 2013, 2012, 2011 and 2010, the Company repurchased approximately \$2.251 billion, \$1.284 billion, \$1.001 billion, \$1.218 billion and \$688 million of its common stock, respectively.
- (8) Net earnings per share amounts for fiscal 2000 and prior have been adjusted for two-for-one stock splits of the Company's common stock (each of which was effected in the form of a 100% stock dividend), which were distributed in fiscal 2000, 1998, 1996 and 1993. The Company has not declared any cash dividends in any of the fiscal years noted above.
- (9) On June 19, 2003, the Company acquired Christmas Tree Shops, Inc.
- (10) On March 22, 2007, the Company acquired Buy Buy BABY, Inc.
- (11) Each fiscal year represents 52 weeks, except for fiscal 2012 (ended March 2, 2013), fiscal 2006 (ended March 3, 2007) and fiscal 2000 (ended March 3, 2001) each of which represent 53 weeks and fiscal 1996 (ended March 1, 1997) which represents 52 weeks and 6 days.

Dear Fellow Shareholders and Beyond:

We finished fiscal 2014 with a solid performance and begin fiscal 2015 with confidence that we remain well positioned for continued growth and for creating long-term shareholder value. Our ability to interact with and satisfy our customers wherever, whenever and however they express their life interests and travel through their various life stages is our strategic imperative. This has been our mission for the past 44 years and it continues to be the foundation for everything we do. In today's ever-evolving retail environment, this approach has never been more important.

Focusing on our Mission

Advancements in information technology are rapidly changing the retail landscape by connecting all of the traditional retail sales channels to a vast and growing number of digitally empowered shoppers. The emergence of omnichannel retailing has led retailers to try and create a more seamless and personalized shopping experience for their customers.

We have been committed to creating such an experience for quite some time. For example, since 2002, our associates have been assisting customers in placing in-store orders for home delivery or pick up in store via The Beyond Store[®], our proprietary in-store-web-based channel. In addition, we have been leveraging our stores for order fulfillment for more than a decade. We also have a long history of accepting returns in store without regard to the channel in which the purchase was completed. When you are as customer centric as we are, these services are a natural extension of what you do to satisfy the customer.

But we are never satisfied. Every day we challenge ourselves to better understand and serve our customers' needs and shopping preferences. During fiscal 2014, we continued to make significant investments in our omnichannel retail capabilities and we delivered on the following initiatives:

- *Added new functionality to our selling websites, mobile sites and apps.* We enhanced the search experience, giving our customers more tools to help find what they are looking for more easily and efficiently. We also expanded our online registry services for Bed Bath & Beyond. We now accept PayPal[®] transactions online and we continued to expand the online acceptance of international credit cards. In addition, we have increased our global reach through a partnership with a third-party expert that supports our efforts to service international customers.
- *Significantly expanded and differentiated our merchandise assortment, both in-store and online.* We have greatly expanded our online merchandise offerings for many categories such as furniture, lighting and rugs. We have also introduced new categories online, including jewelry, watches, mattresses and outdoor furniture. Today, we have more than 200,000 unique SKUs accessible to our customers online or in-store through The Beyond Store, representing an increase of more than 40% since January 2014.
- *Opened a total of 22 new stores, including our first buybuy BABY store in Canada, and closed five stores.* We continue to actively manage our real estate portfolio in a manner that permits store sizes, layouts, locations and offerings to evolve over time to optimize our market profitability.
- *Deployed new systems, equipment and increased bandwidth in our stores.* We have begun rolling out tools to further empower our associates to be even more knowledgeable and informed as they engage with our customers on the selling floor. We strive to provide a more personalized level of customer service and create a better and more dynamic shopping experience for our customers.
- *Continued investments in analytics, marketing and technology.* We are leveraging available information and technology to better understand our customers' preferences and shopping habits. We are developing personalized target marketing strategies to more effectively and efficiently interact and communicate with our customers.

Growing Globally and with a Complementary Business

In our 44-year history, our Company has grown to more than 1,500 retail stores, plus all of our digital channels and our distribution facilities. Today we operate stores in all 50 states, the District of Columbia, Puerto Rico and Canada. Additionally, we are a partner in a joint venture in Mexico and currently operate five retail stores in the Mexico City market. We have continued our expansion in Canada and Mexico and remain excited about our growth opportunities in these countries. While our digital channels extend our global reach, we also believe we have the opportunity to further expand our global footprint and bring our merchandise and service offerings to other international markets.

In addition to our retail operations, we are also growing our complementary institutional business – which includes our subsidiaries Harbor Linen and T-Y Group – by leveraging our combined expertise and product knowledge to provide products and services to hospitality, travel and other institutional customers.

Increasing Productivity, Delivering Shareholder Value

Our performance in fiscal 2014 reflects the strength of our underlying business and the progress of our strategic investments to create a seamless and more dynamic shopping experience for our customers.

We delivered solid financial results, with fiscal 2014 net sales of \$11.9 billion and net earnings per diluted share of \$5.07, increases of approximately 3.3% and 5.8%, respectively. We continued to enhance shareholder value by returning more than \$2.2 billion to our shareholders through our share repurchase programs, while also continuing to make the strategic investments necessary to improve our omnichannel capabilities.

Also of significance during fiscal 2014, was our offering of \$1.5 billion of senior unsecured notes in July, as well as a \$1.1 billion accelerated share repurchase program, which was completed in December 2014. We believe that this was the appropriate time to enter into these transactions to enhance shareholder value, while at the same time maintaining our financial flexibility.

We continue to demonstrate that our business strategy can create shareholder value while enabling us to invest on an ongoing basis for long-term growth.

Focusing on the Future

This is an exciting time for our Company. The pace of change in our business is remarkable. The retail environment is also changing rapidly. However, the one thing that has not changed is our mission to *just take care of the customer!*

We are extremely excited about our future. We are, and must remain, flexible and nimble to be able to respond to the ever-changing industry landscape. We are committed to making the necessary investments to position our Company for long-term success.

Some of our fiscal 2015 strategic initiatives include:

- *Ongoing investments in analytics, marketing and technology.* While digital technology is transforming the way customers shop, we are leveraging available information and technology to continue building an ever-expanding 360 degree view of our customers to be able to interact with and service them more personally and directly.
- *Increasing and differentiating our merchandise and service offerings* to continue doing more for and with our customers. As we do this, we maintain a strategic focus on the categories of business that strongly resonate with our customers.
- *Further enhancing our online and mobile channels* to create a more personalized and seamless customer shopping experience. For example, we have developed a new digital tool called “My Offers,” that will enable customers to more conveniently organize, store and redeem their Bed Bath & Beyond offers.
- *Opening an additional distribution facility* to support the growth of our online direct-to-consumer channel and our health and beauty care offerings. The creation of more flexible fulfillment options will allow us to deliver orders more quickly and cost effectively.
- *Opening a new Customer Service Contact Center* to support the anticipated growth across all of our channels and concepts. This new facility will enable us to provide an even higher level of customer service.
- *Continuing development of a new and more robust point of sale system* that will provide additional customer benefits in the future such as mobile payment options, payment in foreign currencies, and the ability to redeem personalized coupons.
- *Developing a unique shopping venue in Brooklyn, New York* to showcase our ever-increasing and evolving merchandise assortment, as well as our omnichannel capabilities.

Through the commitment and dedication of our approximately 60,000 associates and the support of our business partners, we remain focused on our objective to do more for and with our customers wherever, whenever and however they express their life interests and travel through their various life stages. We are confident that we are making the appropriate investments to generate long-term profitable growth and create value for our shareholders in the years to come.

Thank you for your continued interest in Bed Bath & Beyond.

WARREN EISENBERG
*Co-Chairman
and Co-Founder*

LEONARD FEINSTEIN
*Co-Chairman
and Co-Founder*

STEVEN H. TEMARES
*Chief Executive Officer
and Director*

May 29, 2015

CORPORATE PROFILE

Founded in 1971, Bed Bath & Beyond Inc. and subsidiaries is a retailer which operates under the names of Bed Bath & Beyond, Christmas Tree Shops, Christmas Tree Shops andThat! or andThat!, Harmon or Harmon Face Values, buybuy BABY and World Market, Cost Plus World Market or Cost Plus. 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 five retail stores in Mexico under the name Bed Bath & Beyond.

The Company sells a wide assortment of domestics merchandise and home furnishings. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings, consumables and certain juvenile products. Customers can purchase products from the Company either in-store, online or through a mobile device. The Company has the developing ability to have customer purchases picked up in-store or shipped direct to the customer from the Company's distribution facilities, stores or vendors.

The Company strives to do more for and with its customers by: offering an extensive breadth, depth and differentiated assortment of merchandise at the right value; presenting merchandise in a distinctive manner designed to maximize customer convenience and reinforce customer perception of a wide selection; and providing excellent customer service, including new ideas and solutions. The Company continues to grow, differentiate and leverage its assortment across all channels, concepts and countries in which it operates, to better engage with its customers wherever, whenever and however they express their life interests and travel through their life stages. Through its growing analytic capabilities and omnichannel marketing approaches, the Company strives to more efficiently and effectively understand and satisfy its customers' needs. The Company is also enhancing its ability to achieve this objective through an ongoing commitment to world class information and interactive technology, comprehensive analytics and targeted marketing and communications.

Shares of Bed Bath & Beyond Inc. are traded on the NASDAQ National Market under the symbol BBBY and are included in the Standard & Poor's 500 and Global 1200 Indices and the NASDAQ-100 Index. The Company is counted among the Fortune 500 and the Forbes 2000.

PLEASE VOTE YOUR PROXY!

ELECTRONIC VOTING SAVES YOUR COMPANY MONEY

For the last several years, many of our shareholders have saved the Company money by voting their proxies via internet or telephone, rather than by return mail. This year, we again encourage all of our shareholders to take advantage of electronic voting.

Most Bed Bath & Beyond shareholders 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 a beneficial owner. Your broker or nominee has enclosed a voting instruction form for you to use in directing them in how to vote your shares. Most institutions make internet or telephone voting options available to their beneficial owners, so please see the voting instruction form for specific information.

If your shares are registered directly in your name with Bed Bath & Beyond's transfer agent, 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 (formerly known as the 2004 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. We encourage our registered shareholders to vote:

By internet — www.proxyvote.com or

By touch-tone phone — 1-800-690-6903

Have your proxy card in hand when you access the website or call the toll-free number. Then you can follow the directions provided.

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

OVERVIEW

Bed Bath & Beyond Inc. and subsidiaries (the "Company") is a retailer which operates under the names Bed Bath & Beyond ("BBB"), Christmas Tree Shops, Christmas Tree Shops andThat! or andThat! (collectively, "CTS"), Harmon or Harmon Face Values (collectively, "Harmon"), buybuy BABY ("Baby") and World Market, Cost Plus World Market and Cost Plus (collectively, "Cost Plus World Market"). Customers can purchase products from the Company either in-store, online or through a mobile device. The Company has the developing ability to have customer purchases picked up in-store or shipped direct to the customer from the Company's distribution facilities, stores or vendors. 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. (See "Acquisitions," Note 2 in the consolidated financial statements for information regarding the acquisitions of Cost Plus World Market and Linen Holdings). Additionally, the Company is a partner in a joint venture which operates five retail stores in Mexico under the name Bed Bath & Beyond.

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

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

The Company's strategy begins and ends with an intense focus on its customers:

- To do more for and with its customers;
- To continue to broaden its customer base; and
- To engage with its customers wherever, whenever and however they prefer whether it be in-store, online, through a mobile device, or in any combination of these methods.

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

Operating in the highly competitive retail industry, the Company, along with other retail companies, is influenced by a number of factors including, but not limited to, general economic conditions including the housing market, unemployment levels and commodity prices; the overall macroeconomic environment and related changes in the retailing environment; consumer preferences and spending habits; unusual weather patterns and natural disasters; competition from existing and potential competitors; evolving technology; and the ability to find suitable locations at acceptable occupancy costs and other terms to support the Company's growth. The Company cannot predict whether, when or the manner in which these factors could affect the Company's operating results.

For fiscal 2014 and 2013, the results of operations include Linen Holdings and Cost Plus World Market from the beginning of the fiscal year. For fiscal 2012, the results of operations include Linen Holdings since the date of acquisition on June 1, 2012 and Cost Plus World Market since the date of acquisition on June 29, 2012.

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

- Net sales in fiscal 2014 (fifty-two weeks) increased approximately 3.3% to \$11.881 billion; net sales in fiscal 2013 (fifty-two weeks) increased approximately 5.4% to \$11.504 billion over net sales of \$10.915 billion in fiscal 2012 (fifty-three weeks).
- Comparable sales for both fiscal 2014 and fiscal 2013 increased by approximately 2.4% as compared with an increase of approximately 2.7% in fiscal 2012. For fiscal 2014, comparable sales consummated through customer facing online

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

(continued)

websites and mobile applications increased in excess of 50%, over the corresponding period in the prior year, while comparable sales consummated in-store were relatively flat to the corresponding period in the prior year. Comparable sales percentages are calculated based on an equivalent number of weeks for each annual period.

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 and mobile channels, and have it fulfilled, in most cases, either through in-store customer pickup or by direct shipment to the customer from one of the Company's distribution facilities, stores or vendors.

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

Stores relocated or expanded are excluded from comparable sales if the change in square footage would cause meaningful disparity in sales over the prior period. In the case of a store to be closed, such store's sales are not considered comparable once the store closing process has commenced. 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. Cost Plus World Market was excluded from the comparable sales calculations through the end of the fiscal first half of 2013, and is included beginning with the fiscal third quarter of 2013.

- Gross profit for fiscal 2014 was \$4.620 billion or 38.9% of net sales compared with \$4.566 billion or 39.7% of net sales for fiscal 2013 and \$4.389 billion or 40.2% of net sales for fiscal 2012.
- Selling, general and administrative expenses ("SG&A") for fiscal 2014 were \$3.065 billion or 25.8% of net sales compared with \$2.951 billion or 25.7% of net sales for fiscal 2013 and \$2.751 billion or 25.2% of net sales for fiscal 2012.
- Interest expense was \$50.5 million, \$1.1 million and \$4.2 million in fiscal 2014, 2013 and 2012, respectively.
- The effective tax rate was 36.3%, 36.6% and 36.5% for fiscal years 2014, 2013 and 2012, respectively. The tax rate included discrete tax items resulting in net benefits of approximately \$20.0 million, \$20.0 million and \$26.7 million, respectively, for fiscal 2014, 2013 and 2012.
- For the fiscal year ended February 28, 2015 (fifty-two weeks), net earnings per diluted share were \$5.07 (\$957.5 million), an increase of approximately 6%, as compared with net earnings per diluted share of \$4.79 (\$1.022 billion) for fiscal 2013 (fifty-two weeks), which was an increase of approximately 5% from net earnings per diluted share of \$4.56 (\$1.038 billion) for fiscal 2012 (fifty-three weeks). For the fiscal year ended February 28, 2015, 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 year ended February 28, 2015 is a net benefit of approximately \$0.04 per diluted share for certain non-recurring items, including a credit card fee litigation settlement. For the fiscal year ended March 1, 2014, the increase in net earnings per diluted share is the result of the items described above and the impact of the Company's repurchases of its common stock, partially offset by a reduction of approximately \$0.06 to \$0.07 per diluted share as a result of the disruptive weather in the fiscal fourth quarter.

Capital expenditures for fiscal 2014, 2013 and 2012 were \$330.6 million, \$320.8 million and \$315.9 million, respectively. Slightly more than half of the current year capital expenditures were for technology enhancements with the remaining balance being used primarily for new stores, existing store improvements and other projects important to the Company's future. The Company remains committed to making the required investments in its infrastructure to help position the Company for continued growth and success. The Company continues to review and prioritize its capital needs while continuing to make investments, principally for information technology enhancements, including omnichannel capabilities, new stores, existing store improvements, and other projects whose impact is considered important to its future.

Several of the Company's key initiatives include: continuing to add new functionality and assortment to its selling websites, mobile sites and applications; continuing the deployment of systems, equipment and increased bandwidth in the Company's stores, which enables store associates to lower the Company's shipping costs for home deliveries, improves inventory ordering, optimizes work force management and enables customer Wi-Fi and new multi-function devices for store associates; improving customer data integration and customer relations management capabilities; continuing to strengthen and deepen its information technology, analytics, marketing and e-commerce groups; furthering the development work necessary for a new and more robust point of sale system; and opening an additional distribution facility to support the growth of the online direct to customer channel and for health and beauty care offerings. These and other investments are expected to, among other things, provide a seamless and compelling customer experience across the Company's in-store, online and mobile shopping environments.

During fiscal 2014, the Company opened a total of 22 new stores and closed five stores. The Company plans to continue to optimize its store operations and market coverage by expanding, downsizing, renovating, opening, closing and relocating stores. In fiscal 2015, the Company expects to open approximately 30 new stores company-wide and a new customer service contact center. Additionally, during fiscal 2015, the Company expects to continue to enhance its omnichannel capabilities, through, among other things, continuing its deployment of systems, equipment and increased bandwidth to the Company's stores and continuing its investment in information technology and analytics.

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, beginning on February 1, 2015.

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.

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

During fiscal 2014, 2013 and 2012, including the shares repurchased under the ASR, the Company repurchased 33.0 million, 18.3 million and 16.1 million shares, respectively, of its common stock at a total cost of approximately \$2.251 billion, \$1.284 billion and \$1.001 billion, respectively. The Company's share repurchase program could change, and would be influenced by several factors, including business and market conditions. In addition, the Company reviews its alternatives with respect to its capital structure on an ongoing basis.

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

(continued)

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				
	February 28, 2015	Percentage of Net Sales		Percentage Change from Prior Year	
		March 1, 2014	March 2, 2013	February 28, 2015	March 1, 2014
Net sales	100.0%	100.0%	100.0%	3.3%	5.4%
Cost of sales	61.1	60.3	59.8	4.7	6.3
Gross profit	38.9	39.7	40.2	1.2	4.0
Selling, general and administrative expenses	25.8	25.7	25.2	3.9	7.3
Operating profit	13.1	14.0	15.0	(3.7)	(1.4)
Interest expense, net	0.4	0.0	0.0	4,326.1	(72.6)
Earnings before provision for income taxes	12.7	14.0	15.0	(6.8)	(1.3)
Provision for income taxes	4.6	5.1	5.5	(7.6)	(0.9)
Net earnings	8.1	8.9	9.5	(6.3)	(1.5)

Net Sales

Net sales in fiscal 2014 (fifty-two weeks) increased \$377.2 million to \$11.881 billion, representing an increase of 3.3% over \$11.504 billion of net sales in fiscal 2013 (fifty-two weeks), which increased \$589.4 million or 5.4% over the \$10.915 billion of net sales in fiscal 2012 (fifty-three weeks). For fiscal 2014, approximately 71% of the increase was attributable to an increase in comparable sales and the remainder was primarily attributable to an increase in the Company's new store sales. For fiscal 2013, approximately 62% of the increase in net sales was attributable to the inclusion of Cost Plus World Market prior to its inclusion in comparable sales and Linen Holdings prior to the anniversary of its acquisition, approximately 42% of the increase was attributable to an increase in comparable sales and 26% of the increase was primarily attributable to an increase in the Company's new store sales and the post-acquisition period for Linen Holdings, partially offset by a decrease of approximately 30% as a result of the non-comparable additional week in fiscal 2012.

The increase in comparable sales for both fiscal 2014 and fiscal 2013 was approximately 2.4%. The increase in comparable sales for fiscal 2014 was due to increases in both the average transaction amount and the number of transactions. The increase in comparable sales for fiscal 2013 was due to an increase in the average transaction amount and a slight increase in the number of transactions. Comparable sales are calculated based on an equivalent number of weeks for each annual period.

The Company's comparable sales metric considers sales consummated through all retail channels — in-store, online and through a mobile device. Customers today may take advantage of the Company's omnichannel environment by using more than one channel when making a purchase. The Company believes an integrated experience must exist among these channels to provide a seamless customer experience. A few examples are: a customer may be assisted by an in-store associate to create a wedding or baby registry, while the guests may ultimately purchase a gift from the Company's websites; or, a customer may research a particular item, and read other customer reviews on the Company's websites before visiting a store to consummate the actual purchase; or a customer may reserve an item online for in-store pick up; or while in a store, a customer may make the purchase on a mobile device for in home delivery from either a distribution facility, a store or directly from a vendor. In addition, the Company accepts returns in-store without regard to the channel in which the purchase was consummated, therefore resulting in reducing store sales by sales originally consummated through customer facing online websites and mobile applications. As the Company's retail operations are integrated and it cannot reasonably track the channel in which the ultimate sale is initiated, the Company can however provide directional information on where the sale was consummated.

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

Comparable sales represented \$11.517 billion, \$10.661 billion and \$9.820 billion of net sales for fiscal 2014, 2013 and 2012, respectively.

Sales of domestics merchandise accounted for approximately 36%, 36% and 39% of net sales in fiscal 2014, 2013 and 2012, respectively, of which the Company estimates that bed linens accounted for approximately 12% of net sales in fiscal 2014, 2013 and 2012, respectively. The remaining net sales in fiscal 2014, 2013 and 2012 of 64%, 64% and 61%, respectively, represented sales of home furnishings. No other individual product category accounted for 10% or more of net sales during fiscal 2014, 2013 or 2012.

Gross Profit

Gross profit in fiscal 2014, 2013 and 2012 was \$4.620 billion or 38.9% of net sales, \$4.566 billion or 39.7% of net sales and \$4.389 billion or 40.2% of net sales, respectively. The decrease in the gross profit margin as a percentage of net sales between fiscal 2014 and 2013 was primarily attributed to an increase in coupon expense resulting from an increase in redemptions, partially offset by a slight decrease in the average coupon amount, and an increase in net direct to customer shipping expense, which was impacted by a reduction in the bedbathandbeyond.com free shipping threshold. The one year anniversary of the bedbathandbeyond.com free shipping threshold occurred in February 2015. The decrease in the gross profit margin as a percentage of net sales between fiscal 2013 and 2012 was primarily attributed to an increase in coupons, due to increases in both redemptions and the average coupon amount, and a shift in the mix of merchandise sold to lower margin categories.

Selling, General and Administrative Expenses

SG&A was \$3.065 billion or 25.8% of net sales in fiscal 2014, \$2.951 billion or 25.7% of net sales in fiscal 2013 and \$2.751 billion or 25.2% of net sales in fiscal 2012. The percentage of net sales increase in SG&A between fiscal 2014 and 2013 was primarily due to increased technology expenses and related depreciation and increased advertising expenses, partially offset by relative decreases in payroll and payroll related items (including salaries), occupancy expenses (including rent) and the year over year net benefits of certain non-recurring items, primarily relating to credit card fee litigation in the fiscal third quarter of 2014. The increase in technology expenses and related depreciation, as a percentage of net sales, represented approximately 30 basis points for fiscal 2014 as compared to the same period in the prior year. The increase in SG&A between fiscal 2013 and 2012 as a percentage of net sales was primarily due to higher technology expenses and depreciation and a relative increase in payroll and payroll-related items (including salaries, workers' compensation and medical insurance). The inclusion of the financial results of the acquisitions for the periods prior to each of their one year anniversaries, which occurred in the first half of fiscal 2013, also contributed to the increase in SG&A as a percentage of net sales.

Operating Profit

Operating profit for fiscal 2014 was \$1.554 billion or 13.1% of net sales, \$1.615 billion or 14.0% of net sales in fiscal 2013 and \$1.638 billion or 15.0% of net sales in fiscal 2012. The changes in operating profit as a percentage of net sales between fiscal 2014 and 2013 and between fiscal 2013 and 2012 were the result of the changes in gross profit margin and SG&A as a percentage of net sales as described above.

The Company believes operating margin compression is likely to continue in fiscal 2015 as a result of several items, including increases in, as a percentage of net sales, coupon expense, net direct to customer shipping expense, technology expenses related to the Company's ongoing investments, a planned unfavorable Canadian currency exchange rate and investments in compensation and benefits beyond those historically planned. In addition, the operating margin compression will be impacted by the non-recurring benefit relating to the credit card litigation settlement in fiscal 2014.

Interest Expense, net

Interest expense was \$50.5 million, \$1.1 million and \$4.2 million in fiscal 2014, 2013 and 2012, respectively. The increase in interest expense for fiscal 2014 was primarily a result of the interest related to the Notes issued in July 2014.

Income Taxes

The effective tax rate was 36.3% for fiscal 2014, 36.6% for fiscal 2013 and 36.5% for fiscal 2012. For fiscal 2014, the tax rate included net benefits of approximately \$20.0 million, primarily due to the recognition of favorable discrete federal and state tax items. For fiscal 2013 and fiscal 2012, the tax rate included a net benefit of approximately \$20.0 million and \$26.7 million, respectively, primarily due to the recognition of favorable discrete state tax items.

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

(continued)

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

GROWTH

The Company is effecting its growth through the evolution of its omnichannel shopping environment, the optimization of its store operations and market coverage by expanding, downsizing, renovating, opening, closing and relocating stores; the growth of its complementary institutional business and the continuous review of strategic acquisitions.

In the 23-year period from the beginning of fiscal 1992 to the end of fiscal 2014, the chain has grown from 34 to 1,513 stores plus its various websites, other interactive platforms and distribution facilities. Total store square footage grew from approximately 0.9 million square feet at the beginning of fiscal 1992 to approximately 43.0 million square feet at the end of fiscal 2014. In addition, the Company has distribution facilities totaling 6.0 million square feet. During fiscal 2014, the Company opened a total of 22 new stores and closed five stores. In fiscal 2014, consolidated store space, net of openings and closings for all concepts, increased by 0.4 million square feet. Additionally, the Company is a partner in a joint venture which opened one store during fiscal 2014 and as of February 28, 2015, operated a total of five retail stores in Mexico under the name Bed Bath & Beyond.

The Company plans to continue to expand its operations and invest in its infrastructure to reach its long term objectives. In fiscal 2015, the Company expects to open approximately 30 new stores company-wide and open a new customer service contact center to support the anticipated growth across all channels and concepts and provide a seamless customer service experience. 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 items successfully.

Additionally, during fiscal 2015, the Company plans to add new functionality and assortment to its selling websites, mobile sites and applications; continue the deployment of systems, equipment and increased bandwidth in its stores to develop a more dynamic shopping experience and improve the productivity and working environment of its associates through improvements in inventory ordering, optimizing work force management and lowering the Company's shipping costs for home deliveries; continue to strengthen and deepen its information technology, analytics, marketing and e-commerce groups; improve customer data integration and customer relations management capabilities; further the development work necessary for a new and more robust point of sale system; and open an additional distribution facility to support the growth of the online direct to customer channel and health and beauty care offerings.

LIQUIDITY AND CAPITAL RESOURCES

The Company has been able to finance its operations, including its growth, through internally generated funds and supplemented by borrowings through the Notes. For fiscal 2015, the Company believes that it can continue to finance its operations, including its growth, share repurchases, planned capital expenditures and debt service obligations, through existing and internally generated funds. In addition, if necessary, the Company could borrow under the Revolver. Capital expenditures for fiscal 2015 are planned to be approximately \$375 million to \$400 million, with nearly half for information technology enhancements, including omnichannel capabilities, and the remainder for new stores, existing store improvements, and other projects. These planned capital expenditures are subject to the timing and composition of the projects. In addition, the Company reviews its alternatives with respect to its capital structure on an ongoing basis.

On July 17, 2014, the Company issued 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, beginning on February 1, 2015.

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.

On August 6, 2014, the Company entered into the Revolver with various lenders. During the period from August 6, 2014 through February 28, 2015, the Company did not have any borrowings under the Revolver.

Fiscal 2014 compared to Fiscal 2013

Net cash provided by operating activities in fiscal 2014 was \$1.186 billion, compared with \$1.394 billion in fiscal 2013. Year over year, the Company experienced an increase in cash used by the net components of working capital (primarily accounts payable and merchandise inventories, partially offset by other current assets and accrued expenses and other current liabilities) and a decrease in net earnings, as adjusted for non-cash expenses (primarily deferred income taxes and depreciation).

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

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

Net cash used in financing activities for fiscal 2014 was \$712.3 million, compared with \$1.222 billion in fiscal 2013. The decrease in net cash used was primarily due to proceeds from the issuance of the Notes of \$1.5 billion, partially offset by an increase in common stock repurchases of \$966.6 million, which includes the shares repurchased under the ASR.

Fiscal 2013 compared to Fiscal 2012

Net cash provided by operating activities in fiscal 2013 was \$1.394 billion, compared with \$1.196 billion in fiscal 2012. Year over year, the Company experienced an increase in cash provided by the net components of working capital (primarily merchandise inventories, accounts payable and other current assets) and an increase in net earnings, as adjusted for non-cash expenses (primarily depreciation).

Retail inventory at cost per square foot was \$59.68 as of March 1, 2014, as compared to \$58.12 as of March 2, 2013.

Net cash used in investing activities in fiscal 2013 was \$363.4 million, compared with \$667.0 million in fiscal 2012. In fiscal 2013, net cash used in investing activities was primarily due to \$320.8 million of capital expenditures and \$39.1 million of purchases of investment securities, net of redemptions. In fiscal 2012, net cash used in investing activities was due to payments, net of cash acquired, of \$643.1 million related to the Cost Plus World Market and Linen Holdings acquisitions, \$315.9 million for capital expenditures and \$40.0 million for the acquisition of trademarks, partially offset by redemptions of \$332.0 million of investment securities, net of purchases.

Net cash used in financing activities for fiscal 2013 was \$1.222 billion, compared with \$965.4 million in fiscal 2012. The increase in net cash used was primarily due to an increase in common stock repurchases of \$282.7 million, partially offset by a \$25.5 million payment in the prior year for a credit facility assumed in connection with an acquisition.

Other Fiscal 2014 Information

At February 28, 2015, the Company maintained two uncommitted lines of credit of \$100 million each, with expiration dates of September 1, 2015 and February 28, 2016, 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 2014, the Company did not have any direct borrowings under the uncommitted lines of credit. As of February 28, 2015, there was approximately \$11.1 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 28, 2015, the Company maintained unsecured standby letters of credit of \$71.7 million, primarily for certain insurance programs.

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

Between December 2004 and July 2014, the Company's Board of Directors authorized, through several share repurchase programs, the repurchase of \$9.450 billion of the Company's common stock. Since 2004 through the end of fiscal 2014, the Company has repurchased approximately \$8.6 billion of its common stock through share repurchase programs, which include

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

(continued)

the shares repurchased under the ASR. The Company has approximately \$884 million remaining of authorized share repurchases as of February 28, 2015. The Company's share repurchase program could change, and would be influenced by several factors, including business and market conditions.

The Company has contractual obligations consisting mainly of principal and interest related to the Notes, operating leases for stores, offices, distribution facilities and equipment, purchase obligations, long-term sale/leaseback and capital lease obligations and other long-term liabilities which the Company is obligated to pay as of February 28, 2015 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⁾	1,765,682	72,477	144,954	144,954	1,403,297
Operating lease obligations ⁽²⁾	3,260,167	573,802	996,624	733,564	956,177
Purchase obligations ⁽³⁾	1,209,051	1,209,051	—	—	—
Long-term sale/leaseback and capital lease obligations ⁽⁴⁾	332,559	9,863	19,921	20,164	282,611
Other long-term liabilities ⁽⁵⁾	466,174	—	—	—	—
Total Contractual Obligations	\$8,533,633	\$1,865,193	\$1,161,499	\$898,682	\$4,142,085

- (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 28, 2015, the Company has leased sites for 43 new or relocated locations planned for opening in fiscal 2015 or 2016, for which aggregate minimum rental payments over the term of the leases are approximately \$199.5 million and are included in the table above.
- (3) Purchase obligations primarily consist of purchase orders for merchandise.
- (4) Long-term sale/leaseback and capital lease obligations represent future minimum lease payments under the sale/leaseback agreements and capital lease agreements.
- (5) Other long-term liabilities are primarily comprised of income taxes payable, deferred rent, workers' compensation and general liability reserves and various other accruals and are recorded as Deferred Rent and Other Liabilities and Income Taxes Payable in the Consolidated Balance Sheet as of February 28, 2015. The amounts associated with these other long-term liabilities have been reflected only in the Total Column in the table above as the timing and/or amount of any cash payment is uncertain.

SEASONALITY

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

INFLATION

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

CRITICAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

Goodwill and Other Indefinite Lived Intangible Assets: The Company reviews goodwill and other intangibles that have indefinite lives for impairment annually or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. Impairment testing is based upon the best information available including estimates of fair value which incorporate assumptions marketplace participants would use in making their estimates of fair value. The Company has not historically recorded an impairment to its goodwill and other indefinite lived intangible assets. As of February 28, 2015, 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

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

(continued)

future. Factors that affect these estimates include but are not limited to: inflation, the number and severity of claims and regulatory changes. In the future, if the Company concludes an adjustment to self insurance accruals is required, the liability will be adjusted accordingly.

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

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

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

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

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

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

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

This Annual Report, and in particular Management's Discussion and Analysis of Financial Condition and Results of Operations and the Shareholder Letter, contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company's actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include, without limitation: general economic conditions including the housing market, a challenging overall macroeconomic environment and related changes in the retailing environment; consumer preferences, spending habits and adoption of new technologies; demographics and other macroeconomic factors that may impact the level of spending for the types of merchandise sold by the Company; civil disturbances and terrorist acts; unusual weather patterns and natural disasters; competition from existing and potential competitors; 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; the ability to find suitable locations at acceptable occupancy costs and other terms to support the Company's growth; the ability to assess and implement technologies in support of the Company's development of its omnichannel capabilities; uncertainty in financial markets; disruptions to the Company's information technology systems including but not limited to security breaches of systems protecting consumer and employee information; reputational risk arising from challenges to the Company's or a third party supplier's compliance with various laws, regulations or standards, including those related to labor, health, safety, privacy or the environment; changes to statutory, regulatory and legal requirements; new, or developments in existing, litigation, claims or assessments; changes to, or new, tax laws or interpretation of existing tax laws; changes to, or new, accounting standards including, without limitation, changes to lease 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.

CONSOLIDATED BALANCE SHEETS

Bed Bath & Beyond Inc. and Subsidiaries

<i>(in thousands, except per share data)</i>	February 28, 2015	March 1, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 875,574	\$ 366,516
Short term investment securities	109,992	489,331
Merchandise inventories	2,731,881	2,578,956
Other current assets	366,156	354,184
Total current assets	4,083,603	3,788,987
Long term investment securities	97,160	87,393
Property and equipment, net	1,676,700	1,579,804
Goodwill	486,279	486,279
Other assets	415,251	413,570
Total assets	\$ 6,758,993	\$ 6,356,033
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,156,368	\$ 1,104,668
Accrued expenses and other current liabilities	403,547	385,954
Merchandise credit and gift card liabilities	306,160	284,216
Current income taxes payable	76,606	60,298
Total current liabilities	1,942,681	1,835,136
Deferred rent and other liabilities	493,137	486,996
Income taxes payable	79,985	92,614
Long term debt	1,500,000	—
Total liabilities	4,015,803	2,414,746
Commitments and contingencies		
Shareholders' equity:		
Preferred stock – \$0.01 par value; authorized – 1,000 shares; no shares issued or outstanding	—	—
Common stock – \$0.01 par value; authorized – 900,000 shares; issued 336,667 and 334,941 shares, respectively; outstanding 174,178 and 205,405 shares, respectively	3,367	3,350
Additional paid-in capital	1,796,692	1,673,217
Retained earnings	9,553,376	8,595,902
Treasury stock, at cost	(8,567,932)	(6,317,335)
Accumulated other comprehensive loss	(42,313)	(13,847)
Total shareholders' equity	2,743,190	3,941,287
Total liabilities and shareholders' equity	\$ 6,758,993	\$ 6,356,033

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EARNINGS

Bed Bath & Beyond Inc. and Subsidiaries

<i>(in thousands, except per share data)</i>	FISCAL YEAR ENDED		
	February 28, 2015	March 1, 2014	March 2, 2013
Net sales	\$11,881,176	\$11,503,963	\$10,914,585
Cost of sales	7,261,397	6,938,381	6,525,830
Gross profit	4,619,779	4,565,582	4,388,755
Selling, general and administrative expenses	3,065,486	2,950,995	2,750,537
Operating profit	1,554,293	1,614,587	1,638,218
Interest expense, net	50,458	1,140	4,159
Earnings before provision for income taxes	1,503,835	1,613,447	1,634,059
Provision for income taxes	546,361	591,157	596,271
Net earnings	\$ 957,474	\$ 1,022,290	\$ 1,037,788
Net earnings per share – Basic	\$ 5.13	\$ 4.85	\$ 4.62
Net earnings per share – Diluted	\$ 5.07	\$ 4.79	\$ 4.56
Weighted average shares outstanding – Basic	186,659	210,710	224,623
Weighted average shares outstanding – Diluted	188,880	213,363	227,723

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Bed Bath & Beyond Inc. and Subsidiaries

<i>(in thousands)</i>	FISCAL YEAR ENDED		
	February 28, 2015	March 1, 2014	March 2, 2013
Net earnings	\$957,474	\$1,022,290	\$1,037,788
Other comprehensive (loss) income:			
Change in temporary valuation adjustment of auction rate securities, net of taxes	143	(792)	1,017
Pension adjustment, net of taxes	(5,552)	3,249	146
Currency translation adjustment	(23,057)	(11,984)	(3,604)
Other comprehensive loss	(28,466)	(9,527)	(2,441)
Comprehensive income	\$929,008	\$1,012,763	\$1,035,347

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Bed Bath & Beyond Inc. and Subsidiaries

<i>(in thousands)</i>	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK		ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL
	SHARES	AMOUNT			SHARES	AMOUNT		
Balance at February 25, 2012	330,576	\$3,306	\$1,417,337	\$6,535,824	(95,061)	\$(4,032,060)	\$ (1,879)	\$ 3,922,528
Net earnings				1,037,788				1,037,788
Other comprehensive loss							(2,441)	(2,441)
Shares sold under employee stock option plans, net of taxes	1,489	15	74,323					74,338
Issuance of restricted shares, net	626	6	(6)					—
Stock-based compensation expense, net			48,520					48,520
Director fees paid in stock	5		277					277
Repurchase of common stock, including fees					(16,146)	(1,001,280)		(1,001,280)
Balance at March 2, 2013	332,696	3,327	1,540,451	7,573,612	(111,207)	(5,033,340)	(4,320)	4,079,730
Net earnings				1,022,290				1,022,290
Other comprehensive loss							(9,527)	(9,527)
Shares sold under employee stock option plans, net of taxes	1,375	14	74,766					74,780
Issuance of restricted shares, net	868	9	(9)					—
Stock-based compensation expense, net			57,842					57,842
Director fees paid in stock	2		167					167
Repurchase of common stock, including fees					(18,329)	(1,283,995)		(1,283,995)
Balance at March 1, 2014	334,941	3,350	1,673,217	8,595,902	(129,536)	(6,317,335)	(13,847)	3,941,287
Net earnings				957,474				957,474
Other comprehensive loss							(28,466)	(28,466)
Shares sold under employee stock option plans, net of taxes	1,033	10	54,907					54,917
Issuance of restricted shares, net	691	7	(7)					—
Stock-based compensation expense, net			68,408					68,408
Director fees paid in stock	2		167					167
Repurchase of common stock, including fees					(32,953)	(2,250,597)		(2,250,597)
Balance at February 28, 2015	336,667	\$3,367	\$1,796,692	\$9,553,376	(162,489)	\$(8,567,932)	\$(42,313)	\$ 2,743,190

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Bed Bath & Beyond Inc. and Subsidiaries

<i>(in thousands)</i>	FISCAL YEAR ENDED		
	February 28, 2015	March 1, 2014	March 2, 2013
Cash Flows from Operating Activities:			
Net earnings	\$ 957,474	\$ 1,022,290	\$ 1,037,788
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	239,193	220,116	195,117
Stock-based compensation	66,539	56,244	47,163
Tax benefit from stock-based compensation	6,686	12,846	13,217
Deferred income taxes	(22,295)	11,729	17,567
Other	(2,244)	(1,784)	702
(Increase) decrease in assets, net of effect of acquisitions:			
Merchandise inventories	(161,506)	(117,926)	(200,197)
Trading investment securities	(9,530)	(11,382)	(6,206)
Other current assets	19,012	(5,287)	(43,703)
Other assets	(254)	(3,812)	(9,690)
Increase (decrease) in liabilities, net of effect of acquisitions:			
Accounts payable	44,563	179,522	105,434
Accrued expenses and other current liabilities	18,494	(1,336)	(22,167)
Merchandise credit and gift card liabilities	22,520	33,014	36,972
Income taxes payable	3,768	(4,406)	6,588
Deferred rent and other liabilities	3,428	3,735	17,640
Net cash provided by operating activities	1,185,848	1,393,563	1,196,225
Cash Flows from Investing Activities:			
Purchase of held-to-maturity investment securities	(298,094)	(1,156,634)	(730,976)
Redemption of held-to-maturity investment securities	677,500	1,117,500	1,031,249
Redemption of available-for-sale investment securities	—	—	31,715
Capital expenditures	(330,637)	(320,812)	(315,937)
Investment in unconsolidated joint venture	—	(3,436)	—
Payment for acquisitions, net of cash acquired	—	—	(643,098)
Payment for acquisition of trademarks	—	—	(40,000)
Net cash provided by (used in) investing activities	48,769	(363,382)	(667,047)
Cash Flows from Financing Activities:			
Proceeds from exercise of stock options	41,197	54,815	56,377
Proceeds from issuance of senior unsecured notes	1,500,000	—	—
Payment of deferred financing costs	(10,092)	—	—
Excess tax benefit from stock-based compensation	7,202	7,289	5,021
Payment for credit facility assumed in acquisition	—	—	(25,511)
Repurchase of common stock, including fees	(2,250,597)	(1,283,995)	(1,001,280)
Net cash used in financing activities	(712,290)	(1,221,891)	(965,393)
Effect of exchange rate changes on cash and cash equivalents	(13,269)	(6,745)	(1,980)
Net increase (decrease) in cash and cash equivalents	509,058	(198,455)	(438,195)
Cash and cash equivalents:			
Beginning of period	366,516	564,971	1,003,166
End of period	\$ 875,574	\$ 366,516	\$ 564,971

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bed Bath & Beyond Inc. and Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

A. Nature of Operations

Bed Bath & Beyond Inc. and subsidiaries (the "Company") is a retailer which operates under the names Bed Bath & Beyond ("BBB"), Christmas Tree Shops, Christmas Tree Shops andThat! or andThat! (collectively, "CTS"), Harmon or Harmon Face Values (collectively, "Harmon"), buybuy BABY and World Market, Cost Plus World Market or Cost Plus (collectively, "Cost Plus World Market"). Customers can purchase products from the Company either in-store, online or through a mobile device. The Company has the developing ability to have customer purchases picked up in-store or shipped direct to the customer from the Company's distribution facilities, stores or vendors. 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 five retail stores in Mexico under the name Bed Bath & Beyond. The Company sells a wide assortment of domestics merchandise and home furnishings. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings, consumables and certain juvenile products. As the Company operates in the retail industry, its results of operations are affected by general economic conditions and consumer spending habits.

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.

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 2014 and fiscal 2013 represented 52 weeks and ended on February 28, 2015 and March 1, 2014, respectively. Fiscal 2012 represented 53 weeks and ended on March 2, 2013.

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 2013 consolidated balance sheet and the fiscal 2013 and 2012 consolidated statements of cash flows to conform to the fiscal 2014 consolidated balance sheet and consolidated statement of cash flows presentation.

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

D. Use of Estimates

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

E. Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. Included in cash and cash equivalents are credit and debit card receivables from banks, which typically settle within 5 business days, of \$90.3 million and \$87.4 million as of February 28, 2015 and March 1, 2014, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

F. Investment Securities

Investment securities consist primarily of U.S. Treasury Bills with remaining maturities of less than one year and auction rate securities, which are securities with interest rates that reset periodically through an auction process. The U.S. Treasury Bills are classified as short term held-to-maturity securities and are stated at their amortized cost which approximates fair value. Auction rate securities are classified as available-for-sale and are stated at fair value, which had historically been consistent with cost or par value due to interest rates which reset periodically, typically every 7, 28 or 35 days. As a result, there generally were no cumulative gross unrealized holding gains or losses relating to these auction rate securities. However, beginning in mid-February 2008 due to market conditions, the auction process for the Company's auction rate securities failed and continues to fail. These failed auctions result in a lack of liquidity in the securities, and affect their estimated fair values at February 28, 2015 and March 1, 2014, 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.

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

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

G. Inventory Valuation

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

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

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

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

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

H. Property and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets (forty years for buildings; five to twenty years for furniture, fixtures and equipment; and three to seven 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 \$120.3 million, \$111.9 million and \$106.1 million for fiscal 2014, 2013 and 2012, 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 28, 2015, 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 28, 2015 and March 1, 2014, respectively, are \$291.4 million for indefinite lived tradenames and trademarks.

K. Self Insurance

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

L. Deferred Rent

The Company accounts for scheduled rent increases contained in its leases on a straight-line basis over the term of the lease beginning as of the date the Company obtained possession of the leased premises. Deferred rent amounted to \$77.8 million and \$79.0 million as of February 28, 2015 and March 1, 2014, 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 \$121.0 million and \$124.1 million as of February 28, 2015 and March 1, 2014, respectively.

M. Treasury Stock

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Between December 2004 and July 2014, the Company's Board of Directors authorized, through share repurchase programs, the repurchase of \$9.450 billion of the Company's 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 2014, the Company has repurchased approximately \$8.6 billion of its common stock through share repurchase programs, which include the shares repurchased under the ASR.

During fiscal 2014, including the shares repurchased under the ASR, the Company repurchased approximately 33.0 million shares of its common stock at a total cost of approximately \$2.251 billion. During fiscal 2013, the Company repurchased approximately 18.3 million shares of its common stock at a total cost of approximately \$1.284 billion. During fiscal 2012, the Company repurchased approximately 16.1 million shares of its common stock at a total cost of approximately \$1.001 billion. The Company has approximately \$0.9 billion remaining of authorized share repurchases as of February 28, 2015.

N. Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, investment securities, accounts payable, long term debt and certain other liabilities. The Company's investment securities consist primarily of U.S. Treasury securities, which are stated at amortized cost, and auction rate securities, which are stated at their approximate fair value. The book value of the financial instruments, excluding the Company's long term debt, is representative of their fair values (See "Fair Value Measurements," Note 3). The fair value of the Company's long term debt is approximately \$1.616 billion, which is based on quoted prices in active markets for identical instruments (i.e., Level 1 valuation), compared to the carrying value of approximately \$1.500 billion.

O. Revenue Recognition

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

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

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

P. Cost of Sales

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

Q. Vendor Allowances

The Company receives allowances from vendors in the normal course of business for various reasons including direct cooperative advertising, purchase volume and reimbursement for other expenses. Annual terms for each allowance include the basis for earning the allowance and payment terms, which vary by agreement. All vendor allowances are recorded as a reduction of inventory cost, except for direct cooperative advertising allowances which are specific, incremental and identifiable. The Company recognizes purchase volume allowances as a reduction of the cost of inventory in the quarter in which milestones are achieved. Advertising costs were reduced by direct cooperative allowances of \$25.6 million, \$24.0 million and \$19.8 million for fiscal 2014, 2013 and 2012, 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 \$308.4 million, \$280.5 million and \$250.6 million for fiscal 2014, 2013 and 2012, 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. The Company adopted the accounting guidance related to stock compensation on August 28, 2005 (the "date of adoption") under the modified prospective application. Under this application, the Company records stock-based compensation expense for all awards granted on or after the date of adoption and for the portion of previously granted awards that remained unvested at the date of adoption. Currently, the Company's stock-based compensation relates to restricted stock awards, stock options and performance share units. The Company's restricted stock awards are considered nonvested share awards.

U. Income Taxes

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

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

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

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

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

V. Earnings per Share

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

Stock-based awards of approximately 1.7 million, 1.2 million and 1.2 million shares were excluded from the computation of diluted earnings per share as the effect would be anti-dilutive for fiscal 2014, 2013 and 2012, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

W. Recent Accounting Pronouncements

In May 2014, Financial Accounting Standards Board 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. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with earlier adoption not permitted. ASU 2014-09 can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. The adoption of this guidance is not expected to have a significant effect on our consolidated financial position, results of operations, or cash flows.

2. ACQUISITIONS

On June 1, 2012, the Company acquired Linen Holdings, LLC (“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, for an aggregate purchase price of approximately \$108.1 million. The purchase price includes approximately \$24.0 million for tradenames and approximately \$40.2 million for goodwill. Linen Holdings is included within the Institutional Sales operating segment. In the first quarter of fiscal 2013, the Company finalized the valuation of assets acquired and liabilities assumed.

Since the date of acquisition, the results of Linen Holdings’ operations, which are not material, have been included in the Company’s results of operations.

On June 29, 2012, the Company acquired Cost Plus, Inc. (“Cost Plus World Market”), a retailer selling a wide range of home decorating items, furniture, gifts, holiday and other seasonal items, and specialty food and beverages, for an aggregate purchase price of approximately \$560.5 million, including the payment of assumed borrowings of \$25.5 million under a credit facility. The acquisition was consummated by a wholly owned subsidiary of the Company through a tender offer and merger, pursuant to which the Company acquired all of the outstanding shares of common stock of Cost Plus World Market. Cost Plus World Market is included within the North American Retail operating segment. In the first quarter of fiscal 2013, the Company finalized the valuation of assets acquired and liabilities assumed.

Since the date of acquisition, the results of Cost Plus World Market’s operations, which are not material, have been included in the Company’s results of operations and no proforma disclosure of financial information has been presented.

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 28, 2015, 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 28, 2015 and March 1, 2014 are as follows:

<i>(in millions)</i>	February 28, 2015	March 1, 2014
Available-for-sale securities:		
Long term	\$ 47.9	\$ 47.7
Trading securities:		
Long term	49.2	39.7
Held-to-maturity securities:		
Short term	110.0	489.3
Total investment securities	\$207.1	\$576.7

Auction Rate Securities

As of February 28, 2015 and March 1, 2014, the Company's available-for-sale investment securities represented approximately \$51.0 million par value of auction rate securities, consisting of preferred shares of closed end municipal bond funds, less temporary valuation adjustments of approximately \$3.1 million and \$3.3 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.

U.S. Treasury Securities

As of February 28, 2015 and March 1, 2014, the Company's short term held-to-maturity securities included approximately \$110.0 million and approximately \$489.3 million, respectively, of U.S. Treasury Bills with remaining maturities of less than one year. These securities are stated at their amortized cost which approximates fair value, which is based on quoted prices in active markets for identical instruments (i.e., Level 1 valuation).

Long Term Trading Investment Securities

The Company's long term trading investment securities, which are provided as investment options to the participants of the nonqualified deferred compensation plan, are stated at fair market value. The values of these trading investment securities included in the table above are approximately \$49.2 million and \$39.7 million as of February 28, 2015 and March 1, 2014, respectively.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>(in thousands)</i>	February 28, 2015	March 1, 2014
Land and buildings	\$ 557,538	\$ 538,422
Furniture, fixtures and equipment	1,179,073	1,120,330
Leasehold improvements	1,258,916	1,187,793
Computer equipment and software	940,754	755,867
	3,936,281	3,602,412
Less: Accumulated depreciation	(2,259,581)	(2,022,608)
Property and equipment, net	\$ 1,676,700	\$ 1,579,804

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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, beginning on February 1, 2015.

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 28, 2015.

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

Revolving Credit Agreement

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

Borrowings under the Revolver accrue interest at either (1) a fluctuating rate equal to the greater of the prime rate, as defined in the Revolver, the Federal Funds Rate plus 0.50%, or one-month LIBOR plus 1.0% and, in each case, plus an applicable margin based upon the Company's leverage ratio which is calculated quarterly, (2) a periodic fixed rate equal to LIBOR plus an applicable margin based upon the Company's leverage ratio which is calculated quarterly or (3) an agreed upon fixed rate. In addition, a commitment fee is assessed, which is included in interest expense, net in the Consolidated Statement of Earnings. The Revolver contains customary affirmative and negative covenants and also requires the Company to maintain a minimum leverage ratio. The Company was in compliance with all covenants related to the Revolver as of February 28, 2015.

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

Lines of Credit

At February 28, 2015, the Company maintained two uncommitted lines of credit of \$100 million each, with expiration dates of September 1, 2015 and February 28, 2016, 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 2014 and 2013, the Company did not have any direct borrowings under the uncommitted lines of credit. As of February 28, 2015, there was approximately \$11.1 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 28, 2015, the Company maintained unsecured standby letters of credit of \$71.7 million, primarily for certain insurance programs. As of March 1, 2014, there was approximately \$4.5 million of outstanding letters of credit and approximately \$74.3 million of outstanding unsecured standby letters of credit, primarily for certain insurance programs.

7. PROVISION FOR INCOME TAXES

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

<i>(in thousands)</i>	FISCAL YEAR ENDED		
	February 28, 2015	March 1, 2014	March 2, 2013
Current:			
Federal	\$504,154	\$514,818	\$522,812
State and local	64,486	64,581	55,889
	568,640	579,399	578,701
Deferred:			
Federal	(18,245)	11,221	15,710
State and local	(4,034)	537	1,860
	(22,279)	11,758	17,570
	\$546,361	\$591,157	\$596,271

At February 28, 2015 and March 1, 2014, included in other current assets is a net current deferred income tax asset of \$207.3 million and \$175.6 million, respectively, and included in other assets is a net noncurrent deferred income tax asset of \$49.7 million and \$55.8 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:

<i>(in thousands)</i>	February 28, 2015	March 1, 2014
Deferred tax assets:		
Inventories	\$ 35,169	\$ 28,947
Deferred rent and other rent credits	77,878	79,681
Insurance	62,668	58,860
Stock-based compensation	35,591	33,780
Merchandise credits and gift card liabilities	65,055	42,413
Accrued expenses	42,328	42,643
Obligations on distribution centers	41,175	41,454
Net operating loss carryforwards and other tax credits	30,453	32,389
Other	89,933	84,610
Deferred tax liabilities:		
Depreciation	(74,051)	(73,106)
Goodwill	(55,888)	(49,278)
Intangibles	(80,515)	(79,471)
Other	(12,780)	(11,480)
	\$257,016	\$231,442

At February 28, 2015, as a result of the Cost Plus World Market acquisition (See "Acquisitions," Note 2), the Company has federal net operating loss carryforwards of \$13.7 million (tax effected), which will begin expiring in 2025, state net operating loss carryforwards of \$9.1 million (tax effected), which will expire between 2014 and 2031, California state enterprise zone credit carryforwards of \$6.6 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

<i>(in thousands)</i>	February 28, 2015	March 1, 2014
Balance at beginning of year	\$ 92,614	\$ 97,892
Increase related to current year positions	17,333	19,844
Increase related to prior year positions	6,549	2,292
Decrease related to prior year positions	(20,082)	(9,316)
Settlements	(11,762)	(782)
Lapse of statute of limitations	(4,667)	(17,316)
Balance at end of year	\$ 79,985	\$ 92,614

At February 28, 2015, the Company has recorded approximately \$80.0 million of gross unrecognized tax benefits in non-current income taxes payable on the consolidated balance sheet of which approximately \$79.9 million would impact the Company's effective tax rate. At March 1, 2014, the Company has recorded approximately \$92.6 million of gross unrecognized tax benefits in non-current income taxes payable on the consolidated balance sheet of which approximately \$92.5 million would impact the Company's effective tax rate. As of February 28, 2015 and March 1, 2014, the liability for gross unrecognized tax benefits included approximately \$13.0 million and \$16.9 million, respectively, of accrued interest. The Company recorded a decrease of interest of approximately \$3.9 million and \$2.0 million, respectively, for the years ended February 28, 2015 and March 1, 2014 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 \$5.0 to \$6.0 million in the next twelve months. However, actual results could differ from those currently anticipated.

As of February 28, 2015, 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 2014, the effective tax rate is comprised of the Federal statutory income tax rate of 35.00%, the State income tax rate, net of Federal benefit, of 3.01%, provision for uncertain tax positions of 0.04% and other income tax benefits of 1.72%. For fiscal 2013, the effective tax rate is comprised of the Federal statutory income tax rate of 35.00%, the State income tax rate, net of Federal benefit, of 3.07%, benefit for uncertain tax positions of 0.05% and other income tax benefits of 1.42%. For fiscal 2012, 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 2.93%, provision for uncertain tax positions of 0.07% and other income tax benefits of 1.50%.

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 28, 2015 and March 1, 2014.

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 2014, 2013 and 2012), 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 28, 2015, future minimum lease payments under non-cancelable operating leases were as follows:

Fiscal Year:	Operating Leases (in thousands)
2015	\$ 573,802
2016	530,107
2017	466,517
2018	399,947
2019	333,617
Thereafter	956,177
Total future minimum lease payments	\$3,260,167

Expenses for all operating leases were \$566.0 million, \$559.8 million and \$536.1 million for fiscal 2014, 2013 and 2012, respectively.

As a result of the Cost Plus World Market acquisition on June 29, 2012 and in addition to the amounts disclosed above, the Company assumed various capital lease obligations. As of February 28, 2015 and March 1, 2014, the capital lease obligations were approximately \$3.5 million and \$3.9 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 \$0.5 million, \$0.5 million and \$0.4 million for fiscal 2014, 2013 and 2012, respectively. The minimum capital lease payments, including interest, by fiscal year are: \$0.8 million in fiscal 2015, \$0.8 million in fiscal 2016, \$0.7 million in fiscal 2017, \$0.6 million in fiscal 2018, \$0.6 million in fiscal 2019 and \$2.0 million thereafter.

As a result of the Cost Plus World Market acquisition on June 29, 2012 and in addition to the amounts disclosed above, the Company assumed two sale/leaseback agreements and recorded financing obligations, which approximated the discounted fair value of the minimum lease payments, had a residual fair value at the end of the lease term and are being amortized over the term of the respective agreements, including option periods, of 32 and 35 years. As of February 28, 2015 and March 1, 2014, the sale/leaseback financing obligations were approximately \$104.6 million and \$105.3 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 2015, \$0.7 million in fiscal 2016, \$0.8 million in fiscal 2017, \$0.8 million in fiscal 2018, \$0.8 million in fiscal 2019 and \$77.2 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 \$13.2 million, \$12.5 million and \$10.9 million for fiscal 2014, 2013 and 2012, 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 \$0.7 million, \$0.5 million and \$0.5 million in fiscal 2014, 2013 and 2012, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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 28, 2015, March 1, 2014 and March 2, 2013, the net periodic pension cost was not material to the Company's results of operations. The Company has a \$18.4 million and \$9.2 million liability, which is included in deferred rent and other liabilities as of February 28, 2015 and March 1, 2014, respectively. In addition, as of February 28, 2015 and March 1, 2014, the Company recognized a loss of \$6.1 million, net of taxes of \$4.0 million, and a loss of \$0.5 million, net of taxes of \$0.4 million, respectively, within accumulated other comprehensive loss.

11. COMMITMENTS AND CONTINGENCIES

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

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

12. SUPPLEMENTAL CASH FLOW INFORMATION

The Company paid income taxes of \$554.4 million, \$562.4 million and \$550.6 million in fiscal 2014, 2013 and 2012, respectively. In addition, the Company had interest payments of approximately \$48.2 million, \$9.2 million and \$6.0 million in fiscal 2014, 2013 and 2012, respectively.

The Company recorded an accrual for capital expenditures of \$57.8 million, \$50.2 million and \$37.0 million as of February 28, 2015, March 1, 2014 and March 2, 2013, 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 share units. The Company's restricted stock awards are considered nonvested share awards.

Stock-based compensation expense for the fiscal year ended February 28, 2015, March 1, 2014 and March 2, 2013 was approximately \$66.5 million (\$42.4 million after tax or \$0.22 per diluted share), \$56.2 million (\$35.6 million after tax or \$0.17 per diluted share) and approximately \$47.2 million (\$30.0 million after tax or \$0.13 per diluted share), respectively. In addition, the amount of stock-based compensation cost capitalized for the years ended February 28, 2015 and March 1, 2014 was approximately \$1.9 million and \$1.6 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 share 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 share units. As of February 28, 2015, unrecognized compensation expense related to the unvested portion of the Company's stock options, restricted stock awards and performance share units was \$24.8 million, \$127.3 million and \$15.1 million, respectively, which is expected to be recognized over a weighted average period of 2.6 years, 3.5 years and 2.5 years, respectively.

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 for stock options issued since May 10, 2004, and expire ten years after the date of grant for stock options issued prior to May 10, 2004. All option grants are nonqualified.

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.

Black-Scholes Valuation Assumptions ⁽¹⁾	FISCAL YEAR ENDED		
	February 28, 2015	March 1, 2014	March 2, 2013
Weighted Average Expected Life (in years) ⁽²⁾	6.6	6.6	6.5
Weighted Average Expected Volatility ⁽³⁾	28.31%	29.27%	31.07%
Weighted Average Risk Free Interest Rates ⁽⁴⁾	2.11%	1.11%	1.14%
Expected Dividend Yield	—	—	—

(1) Forfeitures are estimated based on historical experience.

(2) The expected life of stock options is estimated based on historical experience.

(3) Expected volatility is based on the average of historical and implied volatility. The historical volatility is determined by observing actual prices of the Company's stock over a period commensurate with the expected life of the awards. The implied volatility represents the implied volatility of the Company's call options, which are actively traded on multiple exchanges, had remaining maturities in excess of twelve months, had market prices close to the exercise prices of the employee stock options and were measured on the stock option grant date.

(4) Based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected life of the stock options.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Changes in the Company's stock options for the fiscal year ended February 28, 2015 were as follows:

<i>(Shares in thousands)</i>	Number of Stock Options	Weighted Average Exercise Price
Options outstanding, beginning of period	4,192	\$46.85
Granted	523	62.34
Exercised	(1,033)	39.73
Forfeited or expired	—	—
Options outstanding, end of period	3,682	\$51.05
Options exercisable, end of period	1,989	\$42.69

The weighted average fair value for the stock options granted in fiscal 2014, 2013 and 2012 was \$20.96, \$22.28 and \$22.95, respectively. The weighted average remaining contractual term and the aggregate intrinsic value for options outstanding as of February 28, 2015 was 4.1 years and \$87.2 million, respectively. The weighted average remaining contractual term and the aggregate intrinsic value for options exercisable as of February 28, 2015 was 2.9 years and \$63.6 million, respectively. The total intrinsic value for stock options exercised during fiscal 2014, 2013 and 2012 was \$33.5 million, \$44.6 million and \$38.8 million, respectively.

Net cash proceeds from the exercise of stock options for fiscal 2014 were \$41.2 million and the net associated income tax benefit was \$13.9 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.

Changes in the Company's restricted stock for the fiscal year ended February 28, 2015 were as follows:

<i>(Shares in thousands)</i>	Number of Restricted Shares	Weighted Average Grant-Date Fair Value
Unvested restricted stock, beginning of period	3,943	\$53.66
Granted	852	62.72
Vested	(1,042)	45.36
Forfeited	(161)	60.68
Unvested restricted stock, end of period	3,592	\$57.90

Performance Share Units

Performance share units ("PSUs") are issued and measured at fair market value on the date of grant. Vesting of PSUs awarded to certain of the Company's executives is dependent on the Company's achievement of a performance-based test during a one-year period from the date of grant and during a three-year period from the date of grant and, assuming achievement of the performance-based test, time vesting, subject, in general, to the executive remaining in the Company's service on specified vesting dates. Performance during the one-year period will be based on Earnings Before Interest and Taxes ("EBIT") margin relative to a peer group of the Company comprising 50 companies selected within the first 90 days of the performance period. Upon achievement of the one-year performance-based test, the corresponding PSUs will vest annually in substantially equal installments over a three year period starting one year from the date of grant. Performance during the three-year period will be based on Return on Invested Capital ("ROIC") relative to such peer group. Upon achievement of the three-year performance-based test, the corresponding PSUs will vest on the fourth anniversary date of grant. The awards based on EBIT margin and ROIC are capped at 150% of target achievement, with a floor of zero. PSUs are converted into shares of common

stock upon payment following vesting. Upon grant of the PSUs, the Company recognizes compensation expense related to these awards based on the assumption that 100% of the target award will be achieved. The Company evaluates the target assumption on a quarterly basis and adjusts compensation expense related to these awards, as appropriate. Prior to the first quarter of fiscal 2014, the Company had not granted any PSUs. For fiscal 2014, the Company granted 390,803 PSUs with a weighted average grant date fair value of \$62.34.

14. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

(in thousands, except per share data)	FISCAL 2014 QUARTER ENDED			
	May 31, 2014	August 30, 2014	November 29, 2014	February 28, 2015
Net sales	\$2,656,698	\$2,944,905	\$2,942,980	\$3,336,593
Gross profit	1,030,885	1,134,045	1,128,974	1,325,875
Operating profit	300,701	368,741	352,683	532,168
Earnings before provision for income taxes	298,607	359,213	333,114	512,901
Provision for income taxes	111,555	135,260	107,706	191,840
Net earnings	\$ 187,052	\$ 223,953	\$ 225,408	\$ 321,061
EPS-Basic ⁽¹⁾	\$ 0.94	\$ 1.18	\$ 1.24	\$ 1.83
EPS-Diluted ⁽¹⁾	\$ 0.93	\$ 1.17	\$ 1.23	\$ 1.80

(in thousands, except per share data)	FISCAL 2013 QUARTER ENDED			
	June 1, 2013	August 31, 2013	November 30, 2013	March 1, 2014
Net sales	\$2,612,140	\$2,823,672	\$2,864,837	\$3,203,314
Gross profit	1,032,971	1,113,484	1,121,690	1,297,437
Operating profit	323,101	389,766	374,647	527,073
Earnings before provision for income taxes	322,876	388,091	375,961	526,519
Provision for income taxes	120,386	138,787	138,764	193,220
Net earnings	\$ 202,490	\$ 249,304	\$ 237,197	\$ 333,299
EPS-Basic ⁽¹⁾	\$ 0.94	\$ 1.18	\$ 1.13	\$ 1.62
EPS-Diluted ⁽¹⁾	\$ 0.93	\$ 1.16	\$ 1.12	\$ 1.60

(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 28, 2015 and March 1, 2014, 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 28, 2015. 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 28, 2015 and March 1, 2014, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended February 28, 2015, 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 28, 2015, 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 28, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Short Hills, New Jersey
April 28, 2015

**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 28, 2015, 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 28, 2015, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Bed Bath & Beyond Inc. and subsidiaries as of February 28, 2015, and March 1, 2014, 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 28, 2015, and our report dated April 28, 2015 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Short Hills, New Jersey
April 28, 2015

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 28, 2015. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), released in 2013, Internal Control-Integrated Framework.

Our management has concluded that, as of February 28, 2015, our internal control over financial reporting is effective based on these criteria.

April 28, 2015

BED BATH & BEYOND INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
JULY 2, 2015

- TIME** 9:00 A.M. on Thursday, July 2, 2015
- PLACE** The Madison Hotel
One Convent Road
Morristown, New Jersey 07960
- ITEMS OF BUSINESS**
- (1) To elect ten directors until the Annual Meeting in 2016 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 2015 fiscal year (Proposal 2).
 - (3) To consider the approval, by non-binding vote, of the 2014 compensation paid to the Company's named executive officers (commonly known as a "say-on-pay" proposal) (Proposal 3).
 - (4) To transact such other business as may properly be brought before the Annual Meeting or any adjournment or adjournments.
- RECORD DATE** You can vote if you were a shareholder of record on May 6, 2015.
- 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.

Important Notice Regarding the Availability of Proxy Material for the Annual Meeting of Shareholders to be held on July 2, 2015: this Notice of the 2015 Annual Meeting of Shareholders, Proxy Statement and the Company's 2014 Annual Report are available at www.bedbathandbeyond.com/annualmeeting2015.

May 29, 2015

Warren Eisenberg
Co-Chairman

Leonard Feinstein
Co-Chairman

PROXY STATEMENT

These proxy materials are delivered in connection with the solicitation by the Board of Directors of Bed Bath & Beyond Inc. (the "Company", "we", or "us"), a New York corporation, of proxies to be voted at our 2015 Annual Meeting of Shareholders and at any adjournment or adjournments.

QUESTIONS ABOUT THE MEETING AND THESE PROXY MATERIALS

This Proxy Statement, the proxy card and our 2014 Annual Report are being mailed starting May 29, 2015. The information regarding stock ownership and other matters in this Proxy Statement is as of the record date, May 6, 2015, unless otherwise indicated.

What may I vote on?

You may vote on the following proposals:

- election of ten directors to hold office until the Annual Meeting in 2016 (Proposal 1);
- ratification of the appointment of KPMG LLP as independent auditors for the fiscal year ending February 27, 2016 ("fiscal 2015") (Proposal 2); and
- consider the approval, by non-binding vote, of the 2014 compensation paid to the Company's named executive officers (commonly known as a "say-on-pay" proposal) (Proposal 3).

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

Who may vote?

Shareholders of record of the Company's common stock at the close of business on May 6, 2015 are entitled to receive this notice and to vote their shares at the Annual Meeting. As of that date, there were 171,308,612 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.

There are three ways you can do so:

- **Vote by Internet — www.proxyvote.com**

Use the Internet to transmit your voting instructions and for electronic delivery of information. Have your proxy card in hand when you access the website.

- **Vote by phone — 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions. Have your proxy card in hand when you call.

- **Vote by mail**

Mark, sign and date your proxy card and return it in the postage-paid envelope we've provided, or return it to Bed Bath & Beyond Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

Voting by any of these methods will not affect your right to attend the Annual Meeting and vote in person. However, for those who will not be voting at the Annual Meeting in person, your final voting instructions must be received by no later than 11:59 p.m. Eastern Time on July 1, 2015.

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 the election of directors or the say-on-pay 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 2015 Annual Meeting of Shareholders, a "FOR" vote by a majority of votes cast is required for the election of directors, to ratify the selection of KPMG LLP as the Company's independent auditors for fiscal 2015 and to approve, by non-binding vote, the say-on-pay proposal.

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

What is an abstention?

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

What is a broker "non-vote"?

A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Under current applicable rules, Proposal 2 is a "discretionary" item upon which New York Stock Exchange member brokerage firms 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, New York Stock Exchange member brokerage firms 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 and Proposal 3, the say-on-pay proposal. 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 8, 2015, 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, we did not know of any other matters to be presented at the Annual Meeting.

Who pays for this proxy solicitation?

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

Whom should I call with other questions?

If you have additional questions about this Proxy Statement or the Annual Meeting or would like additional copies of this document or our 2014 Annual Report on Form 10-K, please contact: Bed Bath & Beyond Inc., 650 Liberty Avenue, Union, NJ 07083, Attention: Investor Relations Dept., Telephone: (908) 688-0888.

ELECTION OF DIRECTORS (PROPOSAL 1)

How is the Board of Directors structured and who has been nominated?

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, merchandising, real estate, technology, finance and financial reporting, legal and regulatory compliance, international business and the exercise of leadership in large, complex organizations. The Board, as part of its annual self-assessment and on an ongoing basis as appropriate, considers the skills and experience of its members in relation to the needs of the Company.

The Board of Directors, therefore, upon recommendation of its Nominating and Corporate Governance Committee, has nominated for reelection as directors, for a one year term expiring at the 2016 Annual Meeting, each of the current members of the Board.

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

Warren Eisenberg, 84, 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, 78, is a Co-Founder of the Company and has served as Co-Chairman since 1999. He has served as a director since 1971. Mr. Feinstein served as President from 1992 to 1999, and served as Co-Chief Executive Officer from 1971 to 2003.

Messrs. Eisenberg and Feinstein remain active as part of the senior leadership of the Company and bring to the Board, among other benefits, their experience in building the Company during its 44-year history and their overall experience in the retail industry, in each case for over 50 years.

Steven H. Temares, 56, 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, 58, is a Co-Founder and Chief Executive Officer of Lubert-Adler Partners, L.P., a private real estate investment firm. He has served as a Principal of Lubert-Adler Partners, L.P. for over ten years. He has been a director of the Company since 2001. Mr. Adler also previously has served as a director of Developers Diversified Realty Corp., a shopping center real estate investment trust, and Electronics Boutique, Inc., a mall retailer. Among other things, Mr. Adler has wide experience and involvement in commercial real estate including, in particular, retail real estate.

Stanley F. Barshay, 75, 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). He has been a director of the Company since 2003. Among other things, Mr. Barshay brings to the Board specialized knowledge about the marketing of consumer goods, and in particular health and beauty care products.

Geraldine T. Elliott, 58, is retired Executive Vice President, Strategic Advisor at Juniper Networks, Inc. She served as Executive Vice President and Chief Customer Officer at Juniper Networks, Inc. from March 2013 to February 2014 after prior roles as Executive Vice President and Chief Sales Officer, and as Executive Vice President of Strategic Alliances. Ms. Elliott joined Juniper in 2009 after seven years at Microsoft Corporation, where she held a series of senior executive positions, including Corporate Vice President of the company's Industry Solutions Group, Worldwide Public Sector organization, and their North American Enterprise Sales region. Prior to joining Microsoft, Ms. Elliott spent 22 years at IBM Corporation, where she held executive and management positions in North America and Asia Pacific in sales, services, consulting, strategy development, and product management. She has been a director of the Company since February 2014. Additionally, Ms. Elliott is founder of Broadrooms.com, an informational resource for executive women serving on corporate boards in the U.S. She serves on the board of Whirlpool Corporation where she is a member of the Audit and Human Resources committees. Among other things, Ms. Elliott brings to the Board her strategic understanding of transformative digital technologies, as well as her global marketing, sales, service and channel experience.

Klaus Eppler, 84, 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 is also a director of Ascena Retail Group, Inc., an apparel retailer. Mr. Eppler has served as a director of one or more retailers continuously for over 35 years. Throughout his career as a practicing attorney, he represented numerous public companies or their boards of directors, including many retail companies. Among other things, Mr. Eppler brings to the Board his experience with a wide variety of retailers.

Patrick R. Gaston, 57, has been President of the Western Union Foundation, which supports education and disaster relief efforts throughout the world with the support of the Western Union Company, since January 2013. From January to December 2012, he was the Chief Executive Officer of Gastal Networks, LLC, a consulting firm specializing in corporate social responsibility initiatives. From January to December 2011, he served a one-year term as Executive in Residence and Senior Advisor with the Clinton Bush Haiti Fund to support the rebuilding efforts in Haiti. Until January 2011, Mr. Gaston was President of the Verizon Foundation since 2003. Prior to assuming that position, Mr. Gaston held a variety of management positions at Verizon Communications Inc. and its predecessors since 1984, including positions in operations, marketing, human resources, strategic planning and government relations. He has been a director of the Company since 2007. Among other things, Mr. Gaston brings to the Board experience with respect to very large and complex public companies as well as extensive experience with other local, national and international organizations through his non-profit work.

Jordan Heller, 54, has been President of Heller Wealth Advisors LLC, a provider of financial advisory services, since 2008. Mr. Heller was previously a partner with The Schonbraun McCann Group LLP from 2005 to 2008. Prior to joining The Schonbraun McCann Group, Mr. Heller was a Managing Director at American Economic Planning Group. He has been a director of the Company since 2003. Mr. Heller is also a director of Equity One, Inc., a shopping center developer and owner. Among other things, Mr. Heller brings to the Board experience in and knowledge of various financial matters. He is a certified public accountant, chartered financial analyst and Certified Financial Planner™, and serves as an “audit committee financial expert” on the Company’s Audit Committee.

Victoria A. Morrison, 62, has been the Executive Vice President & General Counsel of Edison Properties, LLC, a diversified real estate company, since 2007. Ms. Morrison was previously practicing law as a partner in the law firm of Riker, Danzig, Scherer, Hyland & Perretti LLP since 1986. She has been a director of the Company since 2001. Among other things, Ms. Morrison brings to the Board experience in and knowledge of real estate law and transactions.

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

OTHER BOARD OF DIRECTORS INFORMATION

How many times did the Board of Directors meet last year?

The Board of Directors held 11 meetings during the fiscal year ended February 28, 2015 (“fiscal 2014”).

Director Attendance

Each director of the Company attended more than 75% of the total number of meetings of the Board of Directors and committees on which he or she served. The Company encourages, but does not require, the directors to attend the Company’s Annual Meeting of Shareholders. All of the Company’s directors attended the 2014 Annual Meeting of Shareholders.

How were directors compensated for fiscal 2014?

The following table provides compensation information for each member of our Board of Directors during fiscal 2014, other than Warren Eisenberg, Leonard Feinstein and Steven H. Temares, each of whom is a named executive officer of the Company and none of whom received any additional compensation for his service as a director of the Company.

Annual director fees for fiscal 2014 were \$100,000. In addition, directors serving on standing committees of the Board of Directors were paid as follows: an additional \$10,000 for Audit Committee members, an additional \$7,500 for Compensation Committee members, and (other than for the Lead Director) an additional \$5,000 for Nominating and Corporate Governance Committee members. The Lead Director received an additional \$15,000 for acting in that capacity. Director fees are paid on a quarterly basis. Directors have the right to elect to receive all or 50% of their fees in stock or cash. In addition to the fees above, each director received an automatic grant of restricted stock under the Company’s 2012 Incentive Compensation Plan with a fair market value on the date of the Company’s Annual Meeting of Shareholders during such fiscal year (the average of

the high and low trading prices on such date), equal to \$90,000, 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.

Director Compensation Table for Fiscal 2014

As described more fully below, the following table summarizes the annual compensation for the non-employee directors as members of our Board of Directors during fiscal 2014.

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

- (1) This director fee was paid in shares of common stock of the Company pursuant to the Bed Bath & Beyond Plan to Pay Directors Fees in Stock and the number of shares was determined (in accordance with the terms of such plan) based on the fair market value per share on the second business day following the announcement of the Company's financial results for its fiscal third quarter, which was \$73.89 per share, the average of the high and low trading prices on January 12, 2015.
- (2) Represents the value of 1,519 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 2014 Annual Meeting of Shareholders (\$59.285 per share, the average of the high and low trading prices on July 7, 2014), such restricted stock to vest on the last day of the fiscal year of grant provided that the director remains in office until the last day of the fiscal year. No stock awards were outstanding for each director as of February 28, 2015.
- (3) Fifty percent of this director fee was paid in shares of common stock of the Company pursuant to the Bed Bath & Beyond Plan to Pay Directors Fees in Stock and the number of shares was determined (in accordance with the terms of such plan) as described in footnote (1).

Director Independence

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

The Board of Directors' independence determination is analyzed annually in both fact and appearance to promote arms-length oversight. In making its independence determination this year, the Board of Directors considered relationships and transactions since the beginning of its 2014 fiscal year. The Board of Directors' independence determinations included reviewing the following relationships, and a determination that the relationships and the amounts involved, in each case, were immaterial.

- Mr. Eppler is a (non-equity) pensioned partner of Proskauer Rose LLP. In 2001, he ceased active partnership with responsibilities for clients. The firm receives fees for legal services from the Company which represented a fraction of 1% of the revenues of Proskauer Rose LLP.
- Mr. Adler is a principal or executive officer of several private equity funds, each with broad commercial real estate holdings. Several funds have among their investments interests in entities which hold retail properties, and portions of two such properties are under lease to the Company or subsidiaries for the operation of four of the over 1,500 stores operated by the Company. The interests of these funds in the rentals from the four stores represented a fraction of 1% of the rental income of the funds of which Mr. Adler is a principal or executive officer. In addition, Messrs. Eisenberg and Feinstein, the Company's Co-Chairmen, have as part of their overall investment strategy investments in family limited partnerships, which partnerships hold passive interests in certain of such funds representing between approximately 1% and 3% of the interests of such funds.
- Ms. Elliott previously served as an executive of Juniper Networks, which provides network services to a significant number of companies around the world, including the Company, which obtains such services on terms and pricing generally available

to Juniper customers. Ms. Elliott retired from Juniper in 2014. Ms. Elliott is also 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.

- The Company leases 15 stores (or less than 1% of the Company's total stores) from Equity One, Inc. (or its affiliates), on whose Board of Directors Mr. Heller serves. The rental income from these stores represents approximately 2.2% 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.

Information about Committees of the Board; Compensation Committee Interlocks and Insider Participation

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. None of the members of the Compensation Committee was (i) during fiscal 2014, 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 2014 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.

Leadership Structure

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

Director 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 annual meeting of the Company's shareholders. While the Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity, the Committee believes that it is desirable that Board members represent a diversity of backgrounds, including gender and race, as well as diversity of viewpoints and experience.

Board Committees

Our Board of Directors has standing Audit, Compensation and Nominating and Corporate Governance Committees. Information about each of these Committees follows.

Audit Committee

The function of the Audit Committee is to assist the Board of Directors 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 2014. 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, and all of the members of the Committee meet the applicable independence standards for audit committee members in NASDAQ Listing Rule 5605(c)(2)(A).

Compensation Committee

The function of the Compensation Committee is to assist the Board of Directors by (i) considering and determining all matters relating to the compensation of the Company's Co-Chairmen, Chief Executive Officer and other executive officers (as defined in Rule 3b-2 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 six meetings during fiscal 2014. The current members of the Compensation Committee are Messrs. Adler and Barshay and Ms. Morrison. All of the members of the Committee meet the NASDAQ independence requirements, the "non-employee directors" requirements under applicable SEC rules and the "outside directors" requirements for purposes of applicable tax law.

Nominating and Corporate Governance Committee

The function of the Nominating and Corporate Governance Committee is to assist the Board of Directors by (i) reviewing and recommending changes in certain policies regarding the nomination of directors to the Board for its approval; (ii) identifying individuals qualified to become directors; (iii) evaluating and recommending for the Board's selection nominees to fill positions on the Board; and (iv) recommending changes in the Company's corporate governance policies to the Board for its approval. The Committee also oversees Board and management succession planning. The Committee's policy is to identify potential nominees based on properly submitted suggestions from any source and has established procedures to do so. In addition, the Board may determine that it requires a director with a particular expertise or qualification and will actively recruit such a candidate. The Nominating and Corporate Governance Committee also has the authority to retain third party search firms to evaluate or assist in identifying or evaluating potential nominees. Shareholders wishing to propose a director candidate for nomination must provide timely notice of such nomination in accordance with the Company's Amended By-laws. The Nominating and Corporate Governance Committee held two meetings during fiscal 2014. The current members of the Committee are Messrs. Adler and Eppler and Ms. Morrison.

Committee Charters; Additional Information; Risk Management

A complete copy of the charter of each of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, as well as the Company's policies on director attendance at the Annual Meeting and how shareholders can communicate with the Board of Directors, are available in the Investor Relations section of the Company's website at www.bedbathandbeyond.com.

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, 2014 through June 1, 2015, at a total cost of approximately \$261,000. The primary carrier is Arch Insurance Company. Although no assurances can be provided, the Company intends to obtain similar coverage from June 1, 2015 through June 1, 2016.

Management regularly reports to the Board of Directors with respect to compliance and risk management matters through a formal risk management process and committee. The committee, which consists of a number of key executives, meets with executives of each principal business function to identify and assess the significant risks in each such business function's areas of responsibility, then analyzes what risk mitigation efforts are or should be in place to eliminate or minimize such risks to acceptable levels.

RATIFICATION OF APPOINTMENT OF AUDITORS (PROPOSAL 2)

Who has been appointed as the Auditors?

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 2015, 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.

What were the fees incurred by the Company for professional services rendered by and products purchased from KPMG LLP?

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 2014 and the fiscal year ended March 1, 2014 ("fiscal 2013") were as follows:

	2014	2013
Audit Fees	\$1,214,000	\$1,214,000
Audit-Related Fees	86,000	—
Tax Fees	81,000	210,000
All Other Fees	3,000	3,000
	<u>\$1,384,000</u>	<u>\$1,427,000</u>

In fiscal 2014 and fiscal 2013, in accordance with the SEC's definitions and rules, "audit fees" included fees associated with the annual audit of the Company's financial statements, the assessment of the Company's internal control over financial reporting as integrated with the annual audit of the Company's financial statements and the quarterly reviews of the financial statements included in its Form 10-Q filings. In fiscal 2014, "audit-related fees" included fees for procedures required due to a Form S-3 registration statement and for a review of the accounting for the accelerated share repurchase program. In fiscal 2014 and fiscal 2013, "tax fees" included fees associated with tax planning, tax compliance (including review of tax returns) and tax advice (including tax audit assistance). The Audit Committee has concluded that the provision of the foregoing services is compatible with maintaining KPMG LLP's independence. In addition to fees for audit and non-audit services, in fiscal 2014 and 2013, the Company paid a subscription fee for a KPMG sponsored research product, reflected above in the "all other fees."

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 2014 and fiscal 2013, all (100%) audit and non-audit services were pre-approved in accordance with the Audit Committee charter.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS INDEPENDENT AUDITORS FOR FISCAL 2015.

AUDIT COMMITTEE REPORT

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

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

Further, the Audit Committee discussed with the independent auditors the matters required to be discussed by the Public Company Accounting Oversight Board Auditing Standard No. 16, “Communications with Audit Committees,” received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant’s communications with the Audit Committee concerning independence and discussed with the auditors the auditors’ independence. The Committee also discussed with the auditors and the Company’s financial management matters related to the Company’s internal control over financial reporting. Based on these discussions and the written disclosures received from the independent auditors, the Committee recommended that the Board of Directors include the audited financial statements in the Company’s Annual Report on Form 10-K for the year ended February 28, 2015, filed with the SEC on April 28, 2015.

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

EXECUTIVE OFFICERS

Set forth below is information concerning our executive officers as of May 6, 2015.

Name	Age	Position
Warren Eisenberg	84	Co-Chairman and Director
Leonard Feinstein	78	Co-Chairman and Director
Steven H. Temares	56	Chief Executive Officer and Director
Arthur Stark	60	President and Chief Merchandising Officer
Eugene A. Castagna	49	Chief Operating Officer
Susan E. Lattmann	47	Chief Financial Officer and Treasurer
Matthew Fiorilli	58	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 is a certified public accountant and 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.

In addition, the following officers (who are not considered to be executive officers under the Exchange Act) report directly to Mr. Temares: Barry Feld, Chief Executive Officer — Cost Plus, Inc., Scott Hames, Vice President — Marketing and Analytics, Allan N. Rauch, Vice President — Legal and General Counsel, and G. William Waltzinger, Jr., Vice President — Corporate Development and President — Harmon Stores, Inc.

ADVISORY VOTE ON EXECUTIVE COMPENSATION (PROPOSAL 3)

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 2014. 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.

As described in detail in the Compensation Discussion and Analysis section of this Proxy Statement below, the primary objectives of the Company’s executive officer compensation program are to:

- align rewards with performance that creates shareholder value;
- 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 seeks to accomplish these goals in a manner that is aligned with the long-term interests of the Company’s shareholders. The Company believes that its executive officer compensation program for fiscal 2014, with its emphasis on both short and long-term equity awards and performance-based compensation, is appropriate and generally aligned with approaches adopted by many leading U.S. companies.

For these reasons, the Board of Directors recommends a vote in favor of the following resolution:

“RESOLVED, that the compensation paid to the Company’s named executive officers for fiscal 2014, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.”

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

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF THE COMPANY’S NAMED EXECUTIVE OFFICERS FOR FISCAL 2014 AS DISCLOSED IN THIS PROXY STATEMENT.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

The following is a discussion and analysis of our compensation programs as they apply to the Company's principal executive officer, the principal financial officer, and the five most highly compensated executive officers of the Company (other than its principal executive officer and principal financial officer) for fiscal 2014 ("named executive officers") whose compensation information is presented in the Summary Compensation Table and other tables following this discussion and analysis.

Compensation Committee Objectives

Our compensation programs are determined by the Compensation Committee of the Board of Directors. The Compensation Committee's principal objective is to develop and implement compensation policies that align the compensation of our executives with the Company's performance and enhance shareholder value, while at the same time retaining an executive team that drives the success of the Company. The Company believes that a key factor in its success to date has been the stability of its executive team. To that end, the Company's policy is to seek, whenever possible, at all levels, to promote from within and to compensate executives in a manner designed to promote the long-term success of the organization. This policy has enabled the Company to develop an executive team with deep knowledge of the Company and the retail industry.

The Company's compensation programs do not include annual cash bonuses and allocate the majority of each executive's compensation to long-term performance-based equity (consisting of performance stock units and stock options, which are dependent on the Company's performance and/or an increase in shareholder value). The Compensation Committee believes that the goal of these programs aligns compensation with the Company's and shareholders' goal of incenting management to continue to enhance shareholder value.

Changes in Executive Compensation Program for 2014

In preparation for determining the 2014 compensation programs for the named executive officers, members of the Compensation Committee and members of the Nominating and Corporate Governance Committee, together with members of management, discussed various compensation and governance matters with the Company's shareholders over the course of the year following the Company's 2013 Annual Meeting of Shareholders. The Company engaged in this shareholder outreach program to exchange commentary and ideas on the Company's compensation program and to receive feedback that would be considered when making future compensation and governance decisions. This engagement group contacted holders of approximately 56% of the Company's outstanding shares and Compensation Committee members, together with members of management, met or spoke with holders of approximately 34% of outstanding shares. During this outreach, management spoke with shareholders representing approximately 18% of outstanding shares who indicated no current interest in engagement, and approximately 4% of outstanding shares did not respond.

Following this outreach program and discussions with the full Board of Directors, the Company significantly redesigned its 2014 equity incentive program for the named executive officers, with a view toward further strengthening the direct link between pay and performance and providing performance metrics that are fundamental to the business and aligning with shareholder value creation.

In creating the new compensation structure, the Compensation Committee also considered the Company's strategy, which includes a focus on current performance while at the same time making long-term investments to capitalize on opportunities presented by the rapidly changing retail landscape, such as those related to advancements in technology.

Consequently, the Compensation Committee determined to significantly revise its compensation program. The features of the program for fiscal 2014 include the following:

- A revised performance-based equity plan with the following components:
 - One-year performance test based upon Earnings Before Interest and Taxes (EBIT) margin relative to a retail industry peer group, which awards vest in three equal annual installments from date of grant. The Compensation Committee believed it appropriate to set a target based upon EBIT margin when compared to a retail industry peer group, to incentivize continued operational and fiscal discipline as management executes against the Company's strategic goals.
 - Three-year performance test based upon Return on Invested Capital (ROIC) relative to a retail industry peer group, which awards vest four years after grant. The Compensation Committee believed that, as a relative measure compared to a retail industry peer group, ROIC over a three-year period provides a suitable metric to measure how the Company's investments are returning value to the enterprise.

- Awards of stock options, which are intended to be valued at no more than one-third of total performance-based equity, and vest over a five-year period (three years for the Co-Chairmen). The Compensation Committee believed stock options provide further incentives aligned with the long-term interests of shareholders.
- Awards of performance-based equity (in the form of performance stock units and stock options) which represents 79% of the Chief Executive Officer's cash and equity compensation for 2014, and the majority of cash and equity compensation for the other named executive officers.
- No increase in base salary for the Company's Chief Executive Officer or Co-Chairmen. The Company also maintained its practice of not awarding cash bonuses.

In addition, the Board of Directors adopted the following:

- Stock ownership guidelines that require the Company's Chief Executive Officer and each outside director to hold the Company's common stock with a value of at least \$6,000,000 and \$300,000, respectively.
- 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.

The Compensation Committee believes that a combination of a performance metric requiring fiscal discipline in the relative short term (one-year period) with a vesting period that extends over three years, and a performance metric that measures the return on the investments being made to address a rapidly changing industry over a three-year period with vesting following the fourth year, together with stock options vesting over three or five years, appropriately aligns the compensation program with both the short- and long-term interests of the Company's shareholders.

These changes are reflective of, and responsive to, the Company's strategy (which balances the requirements of prudent management in the relative short term with the necessity for significant investment focused on the longer term), shareholder input, and the Compensation Committee's objectives.

Methodology for Determining Executive Compensation

In making its determinations with respect to executive compensation, the Compensation Committee has engaged the services of a compensation consultant pursuant to its charter. In connection with making its determinations regarding executive compensation for fiscal 2014 and for several prior years, the Compensation Committee retained Arthur J. Gallagher & Co. Human Resources & Compensation Consulting Practice ("Gallagher") or its predecessor to conduct a compensation review for the named executive officers and certain other executives. Gallagher has not served the Company in any other capacity except as consultants to the Compensation Committee. Both the Compensation and the Nominating and Corporate Governance Committees also receive advice and assistance from the law firm of Chadbourne & Parke LLP, which has acted as counsel only to the Company's independent directors and its Board committees. The Compensation Committee has assessed the independence of Gallagher and Chadbourne & Parke LLP pursuant to the SEC rules and concluded that no conflict of interest exists that will prevent them 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 members of our Board of Directors: Ms. Morrison and Messrs. Adler and Barshay, all of whom are "independent" as defined by the NASDAQ listing standards and the applicable tax and securities rules and regulations. The Compensation Committee meets on a regular basis for various reasons as outlined in its charter.

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

The size of the peer group was reduced from the 23 companies used in fiscal 2013. Six companies were dropped from the peer group on the recommendation of Gallagher for either one of two reasons: negative net income and severe financial stress or revenue that was less than half of the Company's revenue. These companies were Barnes & Noble, Inc., J.C. Penney Company, Inc., DSW Inc., Pier 1 Imports, Inc., Saks Incorporated, and Williams-Sonoma, Inc. Positive net income and comparable annual revenue are two important factors in determining the Company's peer group. Two companies were added — Dollar General Corporation and Staples, Inc. — as their financial and business characteristics were compatible with the peer group design.

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

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

The methodology used by Gallagher also included reviewing available data based on the Company's industry, revenue size and financial performance. The peer group analyses prepared by Gallagher used public company proxy statements, third party industry compensation surveys and other publicly available information.

At the request of the Compensation Committee, Gallagher conducted a compensation review for all executive officers, including the named executive officers, and for certain other key executives. Gallagher benchmarked the named executive officers' total compensation and separately their cash compensation against data from the 19 company peer group. Gallagher also assisted the Compensation Committee in determining the provisions, including the targets, for the one-year and three-year performance tests. With respect to the grants of the performance stock units, the Compensation Committee, with assistance from Gallagher, adopted a wider peer group of 50 retail companies against which performance tests based on EBIT margin for its one-year test were, and ROIC for its three-year test will be measured. This larger peer group includes the 19 company benchmarking peer group described above and was created to establish a larger, more stable statistical base over the duration of the performance periods.

The compensation approved by the Compensation Committee for each of Messrs. Eisenberg, Feinstein and Temares for fiscal 2014 was determined by the Compensation Committee taking into account recommendations of and certain data received from Gallagher and, in the case of Mr. Temares, the recommendations of the Co-Chairmen (also co-founders). The compensation approved by the Compensation Committee for the named executive officers for fiscal 2014, other than the Co-Chairmen and Mr. Temares, was determined by the Compensation Committee, taking into account the recommendations of the Co-Chairmen, Chief Executive Officer and Gallagher and data the Compensation Committee requested 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 2013, the growth in the size and scope of the Company, its relative performance in its industry and other factors, the Compensation Committee determined that the named executive officers of the Company should receive the total compensation packages for fiscal 2014, further described below.

Elements of Compensation

The Company seeks to provide total compensation packages to its associates, including its named executive officers, which implement its compensation philosophy. As noted above, the Company places greater emphasis in the compensation packages for named executive officers on equity incentive compensation rather than cash compensation in order to align compensation more closely with performance results and the creation of shareholder value. In practice, the Company does not award annual cash bonuses, as it believes such bonuses lead to a more short-term focus and decision making that could negatively impact the long-term success of the Company.

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 performance stock units and stock options), retirement and other benefits (consisting of health plans, a limited 401(k) plan match and a nonqualified deferred compensation plan) and 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" below.

Base Salary

The Company pays base salaries to provide its named executive officers with current, regular compensation that is appropriate for their position, experience and responsibilities. Changes in base salary, if any, are generally effective in May of each fiscal

year. The Company believes that total cash compensation levels for its named executive officers are within market range taking into consideration that the Company does not pay annual cash bonuses.

Equity Compensation

Performance Stock Units (PSUs)

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

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

PSUs Subject to One-Year Goal Relative EBIT Margin		PSUs Subject to Three-Year Goal Relative ROIC	
Achievement Percentage (% of Peer Group Average)	Payment Percentage of Common Stock Underlying PSUs	Achievement Percentage (% of Peer Group Average)	Payment Percentage of Common Stock Underlying PSUs
200% or Greater	150%	180% or Greater	150%
185 – 199%	110%	165 – 179%	110%
125 – 184%	100%	80 – 164%	100%
100 – 124%	90%	70 – 79%	90%
80 – 99%	75%	60 – 69%	75%
70 – 79%	50%	50 – 59%	50%
60 – 69%	25%	40 – 49%	25%
<60%	0%	<40%	0%

The metrics with respect to each peer group member necessary to measure the performance criteria are based on data reported in the S&P Capital IQ Database to the extent publicly available, and to the extent such data is not publicly available, are based on information otherwise publicly available, including without limitation information contained within the applicable peer group member's publicly filed financial statements. Only information and financial statements of a peer group member filed in the performance period prior to the Company's filing of its Form 10-K for the applicable performance period is used in calculating peer group member performance. For peer group members that are headquartered outside of the United States or that have shares listed on an exchange outside of the United States, any reference hereunder to Form 10-K shall be deemed to refer to the peer group member's Form 10-K equivalent filing in the applicable jurisdiction. Therefore, the achievement percentage (percent of peer group average) for fiscal 2014 was determined based on the above-described information made available by the peer group companies through April 28, 2015.

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. Awards vest in accordance with the following, assuming achievement of the applicable performance-based test:

Vesting Date	Percentage Vested Subject to One-Year Goal	Percentage Vested Subject to Three-Year Goal
1 st Anniversary of Grant Date	33.33%	N/A
2 nd Anniversary of Grant Date	33.33%	N/A
3 rd Anniversary of Grant Date	33.34%	N/A
4 th Anniversary of Grant Date	N/A	100%

The overall approach to equity compensation in fiscal 2014 for all executive officers, including the named executive officers, and for certain other executives was to combine the performance-based PSU awards with stock options. In determining the allocation between these two forms of equity awards, the Company considered the retention component and the role of the executive in the enhancement of shareholder value. For fiscal 2014, the Company allocated at least two-thirds of the value of equity compensation granted to all executive officers, including the named executive officers, to PSU awards and no greater than one-third of such value to stock option awards. The vesting provisions relating to equity compensation have been and continue to be determined with a principal purpose of retaining the Company's executives and key associates. The Company believes its redesigned equity compensation program will promote the long-term retention of its executives and key associates including its named executive officers and in large measure directly align compensation of its named executive officers with Company performance.

The Company believes that the performance-based tests, described above, meet the standard for performance-based compensation under Section 162(m) of the Code, so that the PSU awards are intended to be deductible compensation by the Company for certain executives if their annual compensation exceeds \$1 million. The Compensation Committee believes that this test is an appropriate measure of performance for companies in the retail industry and, specifically, for companies in the Company's sector.

Stock Options

Consistent with the Company's practice since fiscal 2008, 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 named executive officers remaining in the Company's service on specified vesting dates.

Time Vested Restricted Stock

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

All 2014 awards of equity compensation were made under the Company's 2012 Incentive Compensation Plan approved by the Company's shareholders, which is the only equity incentive plan under which the Company can currently make awards of equity compensation.

Senior Executive Compensation

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

In the spring of 2014, when the Compensation Committee made its determinations relating to executive compensation for the Company's named executive officers for fiscal 2014, the Compensation Committee took into account, among other things, the following:

- the Company's net earnings per diluted share had increased to \$4.79 for fiscal 2013 from \$4.56 in the prior year;
- the Company had returned approximately \$1.284 billion to shareholders through share repurchases in fiscal year 2013; and
- the Company had made capital expenditures exceeding \$300 million in fiscal 2013, including principally for the Company's omnichannel expansion, and operated approximately 1,500 stores.

For fiscal 2014, Chief Executive Officer Steven Temares' total compensation, as presented in the Summary Compensation Table, decreased slightly when compared to fiscal 2013, with a shift in the mix of compensation components toward performance-based equity. Mr. Temares did not receive an increase in his base salary from fiscal 2013 to 2014, which remained at \$3,967,500, and which represented his entire cash compensation since the Company does not pay cash bonuses. Cash compensation for fiscal 2014 represented 21% of Mr. Temares' total compensation.

Equity awards to Mr. Temares for fiscal 2014 consisted of \$9,712,323 of PSUs (representing 155,796 PSUs) and \$4,856,147 of stock options (representing 231,682 options). Approximately 79% of Mr. Temares' cash and equity compensation for fiscal 2014 was dependent on Company performance and/or an increase in shareholder value.

The Board also adopted stock ownership guidelines for the Company's Chief Executive Officer in 2014 requiring the Chief Executive Officer to hold Company stock with a value of at least \$6,000,000. The Compensation Committee noted that this amount in total dollar value was commensurate with the chief executive officer ownership requirement compared to the Company's peer group. As of May 6, 2015, Mr. Temares held approximately \$39.4 million in stock, which is well in excess of the minimum \$6,000,000 requirement.

For fiscal 2014, 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 eight years. Equity awards in 2014 for the Co-Chairmen did not increase and have remained in the same amount as they were for the previous three years (rounded to the next full share). The base salaries and equity awards of the other named executive officers increased based upon several factors including increased responsibilities and individual performance.

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

In the view of the Compensation Committee, the fiscal 2014 compensation packages for the Chief Executive Officer and for the Co-Chairmen, as well as the other named executive officers, based on the Company's growth and strong financial results in 2013 and based on the results and recommendations of Gallagher's compensation review, were appropriate for a company with the revenues and earnings of the Company.

For further discussion related to equity grants to the named executive officers in fiscal 2014, see "Potential Payments Upon Termination or Change in Control" below.

Fiscal 2015 Chief Executive Officer Compensation

Consistent with 2014, the Compensation Committee did not increase the Chief Executive Officer's base salary in 2015 with such officer receiving only an increase in 2015 equity compensation that was in line with the increase in total compensation for other members of senior management if performance targets are met. This represents two consecutive years with no increase in cash compensation.

Other Benefits

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

The Company has a nonqualified deferred compensation plan for the benefit of certain highly compensated associates, including the named executive officers. The plan provides that a certain percentage of an associate's contributions may be

matched by the Company, subject to certain limitations. This matching contribution will vest over a specified period of time. See the "Nonqualified Deferred Compensation Table" below.

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

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

Other Executive Officer and Director Governance Matters

As a result of the 2014 outreach to and engagement with the Company's shareholders described above and other feedback, the following governance initiatives were adopted in 2014:

Annual Board and Committee Self-Assessments — The Board of Directors adopted a policy under which the Company's Board of Directors and its committees conduct a formal self-assessment at least annually.

Limits on Other Board Service — The Board of Directors adopted a policy limiting service by the Company's directors on other public company boards of directors to no more than two other directorships (in the case of the Company's Co-Chairmen and Chief Executive Officer) and four other directorships (in the case of the non-executive directors).

Impact of Accounting and Tax Considerations

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

Policy on the Recovery of Incentive Compensation

In fiscal 2009, the Board adopted a policy as part of the Company's corporate governance guidelines on the recovery of incentive compensation, commonly referred to as a "clawback policy," applicable to the Company's named executive officers (as defined under Item 402(a)(3) of Regulation S-K). The policy appears in the Company's Corporate Governance Guidelines, available in the Investor Relations section of the Company's website at www.bedbathandbeyond.com. 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.

2014 Advisory Vote Result and Continued Engagement

While the redesigned equity incentive compensation program and governance changes for fiscal 2014 had been announced prior to the Annual Meeting of Shareholders in July 2014, shareholders were asked to approve the compensation for our named executive officers for the fiscal year ended March 1, 2014, for which period the former, unrevised performance program was in place. Approximately 72% of the shares voted on the say-on-pay proposal for that fiscal year approved the proposal.

Since July 2014, members of the Company's management and Board committees have continued active engagement with shareholders on various governance and compensation matters. The Company has initiated outreach to approximately 61% of the outstanding shares and met with or spoke to shareholders representing approximately 40% of the Company's outstanding shares. The policies described and disclosures made in this Compensation Discussion & Analysis reflect, in part, feedback resulting from this ongoing shareholder engagement.

Conclusion

After careful review and analysis, the Company believes that each element of compensation and the total compensation provided to each of its named executive officers for fiscal 2014 was reasonable and appropriate. The value of the compensation payable to the named executive officers is significantly tied to the Company's performance and the return to its shareholders over time. The Company believes that its compensation programs will allow it to retain the executives who are part of the Company's executive team and attract highly qualified executives when new executives are required.

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 2014 for filing with the SEC.

The foregoing report is provided by the following directors, who constitute the fiscal year 2014 Compensation Committee:

COMPENSATION COMMITTEE

Dean S. Adler

Stanley F. Barshay

Victoria A. Morrison

SUMMARY COMPENSATION TABLE FOR FISCAL 2014, FISCAL 2013 AND FISCAL 2012

The following table sets forth information concerning the compensation of the Company's named executive officers.

Name and Principal Position	Fiscal Year	Salary ⁽¹⁾⁽²⁾ (\$)	Stock Awards ⁽³⁾⁽⁴⁾ (\$)	Option Awards ⁽³⁾ (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Warren Eisenberg ^{(5) (6)} <i>Co-Chairman</i>	2014	1,100,000	1,500,025	500,010	—	145,635	3,245,670
	2013	1,100,000	1,500,023	500,019	—	153,138	3,253,180
	2012	1,142,308	1,500,033	499,991	—	136,688	3,279,020
Leonard Feinstein ^{(7) (8)} <i>Co-Chairman</i>	2014	1,100,000	1,500,025	500,010	—	160,213	3,260,248
	2013	1,100,000	1,500,023	500,019	—	163,564	3,263,606
	2012	1,142,308	1,500,033	499,991	—	145,025	3,287,357
Steven H. Temares ^{(9) (10) (11)} <i>Chief Executive Officer</i>	2014	3,967,500	9,712,323	4,856,147	556,242	23,828	19,116,040
	2013	3,867,981	6,750,034	6,750,011	1,753,736	22,993	19,144,755
	2012	3,478,846	5,999,994	5,749,992	684,106	22,211	15,935,149
Arthur Stark ^{(12) (13)} <i>President and Chief Merchandising Officer</i>	2014	1,670,769	1,550,022	600,012	—	14,699	3,835,502
	2013	1,568,846	1,450,064	600,014	—	14,352	3,633,276
	2012	1,513,847	1,350,016	600,003	—	12,262	3,476,128
Eugene A. Castagna ^{(14) (15)} <i>Chief Operating Officer</i>	2014	1,670,769	1,550,022	600,012	—	13,878	3,834,681
	2013	1,421,154	1,450,126	600,014	—	16,416	3,487,710
	2012	1,326,923	1,100,010	600,003	—	13,782	3,040,718
Susan E. Lattmann ^{(16) (17)} <i>Chief Financial Officer and Treasurer</i>	2014	730,769	750,013	300,006	—	7,955	1,788,743
	2013	534,908	300,058	—	—	7,820	842,786
Matthew Fiorilli ^{(18) (19)} <i>Senior Vice President – Stores</i>	2014	1,555,769	1,300,038	600,012	—	22,154	3,477,973
	2013	1,453,846	1,200,060	600,014	—	21,825	3,275,745

- (1) Except as otherwise described in this Summary Compensation Table, salaries to named executive officers were paid in cash in fiscal 2014, fiscal 2013 and fiscal 2012, and increases in salary, if any, were effective in May of the fiscal year.
- (2) Due to fiscal 2012 being a 53 week year and the timing of the pay cycles, the fiscal 2012 salary amounts include an additional pay period. Without this additional pay period, fiscal 2012 salaries would have been \$1,100,000 each for Messrs. Eisenberg and Feinstein as their salaries were for the prior six fiscal years and \$3,346,154, \$1,456,924 and \$1,276,923 for Messrs. Temares, Stark and Castagna, respectively.
- (3) The value of stock awards and option awards represents their respective total fair value on the date of grant calculated in accordance with Accounting Standards Codification Topic No. 718, "Compensation — Stock Compensation" ("ASC 718"), without regard to the estimated forfeiture related to service-based vesting conditions. All assumptions made in the valuations are contained and described in footnote 13 to the Company's financial statements in the Company's Form 10-K for fiscal 2014. 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.
- (4) The value of stock awards granted in fiscal 2014 consists of performance stock unit ("PSU") awards. Please see Compensation Discussion and Analysis beginning on page 53 for a description of the PSU awards. The one-year performance-based test for fiscal 2014 was met at the 100% target. The fair value of the PSU awards are reported above 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 \$2,250,038, \$2,250,038, \$14,568,546, \$2,325,033, \$2,325,033, \$1,125,050 and \$1,950,058 for Mr. Eisenberg, Mr. Feinstein, Mr. Temares, Mr. Stark, Mr. Castagna, Ms. Lattmann and Mr. Fiorilli, respectively. The value of stock awards granted in fiscal years 2013 and 2012 consists of restricted stock. Except as described below, the vesting of restricted stock awards granted in fiscal 2013 and 2012 depends on (i) the Company's achievement of a performance-based test for the fiscal year of the grant, and (ii) assuming the performance-based test is met, time vesting, subject in general to the executive remaining in the Company's service on specific vesting dates. The performance-based tests for fiscal 2013 and 2012 were met, and the fair value of such performance-based stock awards are reported above at 100% of target, their maximum value assuming the highest level of performance. The vesting of restricted stock awards granted to Ms. Lattmann in fiscal 2013 and a portion of restricted stock awards granted to Mr. Castagna in fiscal 2013 are based solely on time vesting.

- (5) Salary for Mr. Eisenberg includes a deferral of \$550,000, \$546,504 and \$317,308 for fiscal 2014, 2013 and 2012, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2014 is also reported in the Nonqualified Deferred Compensation Table below.
- (6) All Other Compensation for Mr. Eisenberg includes incremental costs to the Company for tax preparation services of \$31,625, \$42,950 and \$29,825, car service of \$79,598, \$77,214 and \$74,906 and car allowance of \$26,612, \$25,325 and \$24,457, and an employer nonqualified deferred compensation plan matching contribution of \$7,800, \$7,650 and \$7,500 for fiscal 2014, 2013 and 2012, respectively.
- (7) Salary for Mr. Feinstein includes a deferral of \$550,000, \$550,000 and \$317,308 for fiscal 2014, 2013 and 2012, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2014 is also reported in the Nonqualified Deferred Compensation Table below.
- (8) All Other Compensation for Mr. Feinstein includes incremental costs to the Company for tax preparation services of \$31,625, \$42,950 and \$29,825, car service of \$86,077, \$82,905 and \$80,492 and car allowance of \$34,711, \$30,059 and \$27,208 and an employer nonqualified deferred compensation plan matching contribution of \$7,800, \$7,650 and \$7,500 for fiscal 2014, 2013 and 2012, respectively.
- (9) Salary for Mr. Temares includes a deferral of \$40,624, \$36,684 and \$30,923 for fiscal 2014, 2013 and 2012, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2014 is also reported in the Nonqualified Deferred Compensation Table below.
- (10) The change in pension value for fiscal 2014, 2013 and 2012 is an increase in the actuarial present value of the benefits payable under the supplemental executive retirement benefit agreement with Mr. Temares, reflecting increases in salary in fiscal 2013 and 2012, and which is discussed more fully below. There was no cash payment as a result of this increase. See also "Potential Payments Upon Termination or Change in Control — Messrs. Temares, Stark, Castagna and Fiorilli and Ms. Lattmann" below.
- (11) All Other Compensation for Mr. Temares includes incremental costs to the Company for car allowance of \$16,103, \$15,344 and \$14,702 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of \$7,725, \$7,649 and \$7,509 for fiscal 2014, 2013 and 2012, respectively.
- (12) Salary for Mr. Stark includes a deferral of \$10,639, \$10,937 and \$10,154 for fiscal 2014, 2013 and 2012, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2014 is also reported in the Nonqualified Deferred Compensation Table below.
- (13) All Other Compensation for Mr. Stark includes incremental costs to the Company for car allowance of \$6,995, \$6,702 and \$4,757 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of \$7,704, \$7,650 and \$7,505 for fiscal 2014, 2013 and 2012, respectively.
- (14) Salary for Mr. Castagna includes a deferral of \$166,154, \$141,538 and \$127,692 for fiscal 2014, 2013 and 2012, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2014 is also reported in the Nonqualified Deferred Compensation Table below.
- (15) All Other Compensation for Mr. Castagna includes incremental costs to the Company for car allowance of \$6,203, \$8,766 and \$6,280 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of \$7,675, \$7,650 and \$7,502 for fiscal 2014, 2013 and 2012, respectively.
- (16) Salary for Ms. Lattmann includes a deferral of \$29,594 and \$25,598 for fiscal 2014 and 2013, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2014 is also reported in the Nonqualified Deferred Compensation Table below.
- (17) 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 \$7,955 and \$7,820 for fiscal 2014 and 2013, respectively.
- (18) Salary for Mr. Fiorilli includes a deferral of \$140,654 and \$83,827 for fiscal 2014 and 2013, respectively, pursuant to the terms of the Company's nonqualified deferred compensation plan. Such amount for fiscal 2014 is also reported in the Nonqualified Deferred Compensation Table below.
- (19) All Other Compensation for Mr. Fiorilli includes incremental costs to the Company for car allowance of \$14,579 and \$14,175 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of \$7,575 and \$7,650 for fiscal 2014 and 2013, respectively.

EMPLOYMENT AGREEMENTS AND POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Employment Agreements

There were no amendments to any named executive officer's employment agreement since the Company's 2014 Annual Meeting of Shareholders. Ms. Lattmann entered into an employment agreement which was attached as Exhibit 10.1 to the Company's Report on Form 10-Q filed on October 8, 2014 and is described more fully below.

Messrs. Eisenberg and Feinstein

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

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

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

Potential Payments Upon Termination or Change in Control

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

The estimated amount of compensation payable to such named executive officers in each termination situation is listed in the table below. The table is presented using an assumed termination date and an assumed change in control date of February 28, 2015, the last day of fiscal 2014 and a price per share of common stock of \$74.66 (the "Per Share Closing Price"), the closing per share price as of February 27, 2015, the last business day of fiscal 2014. Descriptions of the agreements under which such payments would be made follow.

Messrs. Eisenberg and Feinstein

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

The agreements were amended, effective March 1, 2014, to eliminate the executives' ability to terminate employment for any reason following a change in control and receive change in control severance payments and benefits. The agreements now provide that, following a termination without cause or a constructive termination, in each case, occurring on a change in control of the Company (as defined in the agreements) or within two years following a change in control, each of the executives shall be paid an amount equal to three times salary then in effect, if the written notice is given before the Senior Status Period, or, if during the Senior Status Period, one half of Senior Status Salary for the number of years (including fractions), if any, remaining in the Senior Status Period, payable over such applicable period in accordance with normal payroll practices. The agreements provide that in the event any amounts paid or provided to the executive in connection with a change in control are determined to constitute "excess parachute payments" under Section 280G of the Code which would be subject to the excise tax imposed by Section 4999 of the Code, the payments and benefits due to the executive will be reduced if the reduction would result in a greater amount payable to the executive after taking into account the excise tax imposed by Section 4999 of the Code. The agreements also provide that upon a change in control of the Company, the Company will fund a "rabbi trust" for each of the executives to hold an amount equal to the value of the payments and certain benefits payable to each of the executives upon his termination of employment with the Company. In the event of termination of employment, the executives are under no obligation to seek other employment and there is no reduction in the amount payable to the executive on account of any compensation earned from any subsequent employment. In the event of termination due to death of either of the executives, the executive's estate or beneficiary shall be entitled to his salary for a period of one year following his death and payment of expenses incurred by the executive and not yet reimbursed at the time of death. In the event of termination due to the inability to substantially perform his duties and responsibilities for a period of 180 consecutive days, the executive shall be entitled to his salary for a period of one year following the date of termination (less any amounts received under the Company's benefit plans as a result of such disability). To the extent that any payments under the employment agreements due following the termination of Messrs. Eisenberg and Feinstein are considered to be deferred compensation under Section 409A, such amounts will commence to be paid on the earlier of the six-month anniversary of termination of employment or the executive's death.

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

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

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

The agreements with Messrs. Temares, Stark and Fiorilli provide for severance pay equal to three years' salary, and the agreements with Mr. Castagna and Ms. Lattmann provide for severance pay equal to one year's salary, if the Company terminates their employment other than for "cause" (including by reason of death or disability). Additionally, the agreements with Messrs. Temares, Stark, Castagna and Fiorilli provide for one year's severance pay if the executive voluntarily leaves the employ of the Company. Severance pay will be paid in accordance with normal payroll; however, other than for Ms. Lattmann,

any amount due prior to the six months after termination of employment will be paid in a lump sum on the date following the six month anniversary of termination of employment. Any severance payable to these executives will be reduced by any monetary compensation earned by them as a result of their employment by another employer or otherwise. "Cause" is defined in the agreements as when the executive has: (i) acted in bad faith or with dishonesty; (ii) willfully failed to follow reasonable and lawful directions of the Company's Chief Executive Officer or the Board of Directors, as applicable; (iii) performed his or her duties with gross negligence; or (iv) been convicted of a felony. Upon a termination of employment by the Company for any reason other than for cause, all unvested options will vest and become exercisable. In addition, pursuant to their respective restricted stock and performance stock agreements, or, in the case of Ms. Lattmann, her employment agreement, shares of restricted stock and performance stock units granted will vest upon death or disability, or upon a termination of employment without cause subject to attainment of any applicable performance goals (except that any restricted stock granted before 2009 will vest upon a termination without cause without regard to the attainment of 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, $\frac{1}{10}$ of the lump sum supplemental retirement benefit distribution (net of applicable withholding taxes) will be distributed to Mr. Temares; and $\frac{9}{10}$ 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 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	Senior Status Salary Continuation ⁽³⁾	Option Acceleration ⁽⁴⁾	Restricted Stock Acceleration ⁽⁴⁾
Warren Eisenberg⁽¹⁰⁾				
Termination Without Cause/ Constructive Termination ⁽¹⁾⁽²⁾	\$ 2,191,971	\$5,743,956	\$ —	\$ 3,552,173
Change in Control (No Termination)	\$ —	\$ —	\$ —	\$ —
Change in Control + Termination ⁽¹¹⁾	\$ 3,300,000	\$ —	\$ —	\$ 3,552,173
Leonard Feinstein⁽¹⁰⁾				
Termination Without Cause/ Constructive Termination ⁽¹⁾⁽²⁾	\$ 2,191,971	\$5,743,956	\$ —	\$ 3,552,173
Change in Control (No Termination)	\$ —	\$ —	\$ —	\$ —
Change in Control + Termination ⁽¹¹⁾	\$ 3,300,000	\$ —	\$ —	\$ 3,552,173
Steven H. Temares⁽¹²⁾				
Termination Without Cause ⁽¹¹⁾	\$11,902,500	\$ —	\$8,333,619	\$13,942,382
Voluntary Termination ⁽¹³⁾	\$ 3,967,500	\$ —	\$ —	\$ —
Change in Control (No Termination)	\$ —	\$ —	\$ —	\$ —
Change in Control + Termination ⁽¹¹⁾	\$11,902,500	\$ —	\$8,333,619	\$13,942,382
Arthur Stark⁽¹⁴⁾				
Termination Without Cause ⁽¹¹⁾	\$ 5,070,000	\$ —	\$2,133,124	\$ 6,780,173
Voluntary Termination ⁽¹³⁾	\$ 1,690,000	\$ —	\$ —	\$ —
Change in Control (No Termination)	\$ —	\$ —	\$ —	\$ —
Change in Control + Termination ⁽¹¹⁾	\$ 5,070,000	\$ —	\$2,133,124	\$ 6,780,173
Eugene A. Castagna⁽¹⁴⁾				
Termination Without Cause ⁽¹³⁾	\$ 1,690,000	\$ —	\$2,133,124	\$ 5,624,810
Voluntary Termination ⁽¹³⁾	\$ 1,690,000	\$ —	\$ —	\$ —
Change in Control (No Termination)	\$ —	\$ —	\$ —	\$ —
Change in Control + Termination ⁽¹³⁾	\$ 1,690,000	\$ —	\$2,133,124	\$ 5,624,810
Susan E. Lattmann⁽¹⁴⁾				
Termination Without Cause ⁽¹³⁾	\$ 750,000	\$ —	\$ 176,336	\$ 1,231,367
Change in Control (No Termination)	\$ —	\$ —	\$ —	\$ —
Change in Control + Termination ⁽¹³⁾	\$ 750,000	\$ —	\$ 176,336	\$ 1,231,367
Matthew Fiorilli⁽¹⁴⁾				
Termination Without Cause ⁽¹¹⁾	\$ 4,725,000	\$ —	\$2,133,124	\$ 5,404,787
Voluntary Termination ⁽¹³⁾	\$ 1,575,000	\$ —	\$ —	\$ —
Change in Control (No Termination)	\$ —	\$ —	\$ —	\$ —
Change in Control + Termination ⁽¹¹⁾	\$ 4,725,000	\$ —	\$2,133,124	\$ 5,404,787

- (1) Cash severance represents current salary continuation through February 25, 2017.
- (2) In the event of a termination of employment due to death or disability, each of Messrs. Eisenberg and Feinstein (or their respective estates) will receive the same payments as if there was a "Termination Without Cause/Constructive Termination," except that neither Mr. Eisenberg nor Mr. Feinstein (nor their respective estates) will receive either "Senior Status Salary Continuation" or "Benefit Continuation" payments.
- (3) Represents \$400,000, adjusted for the cost of living increase between June 30, 2000 and June 30, 2014 for the CPI-U for NY, Northern NJ and LI, for 10 years during the Senior Status Period.
- (4) Represents the value of unvested outstanding stock options and restricted stock that would accelerate and vest on a termination occurring on February 28, 2015. In the case of stock options, the value is calculated by multiplying the number of shares underlying each accelerated unvested stock option by the difference between the Per Share Closing Price and the per share exercise price. In the case of restricted stock, the value is calculated by multiplying the number of shares of restricted stock that accelerate and vest by the Per Share Closing Price.
- (5) Represents the value of unvested outstanding performance stock unit ("PSU") awards that would accelerate and vest on a termination without cause (and, in the cases of Messrs. Eisenberg and Feinstein, upon a termination without cause or constructive termination), subject to attainment of any applicable performance goals and after the Compensation Committee certifies achievement of the applicable performance test. These values represent acceleration of the portion of PSU awards subject to the one-year performance goal at target, which result was reasonably estimable on February 28, 2015 based on assumptions regarding the performance of the peer companies. The portion of PSU awards subject to a three-year performance goal, based on relative performance against the peer companies, was substantially uncertain on February 28, 2015 and is not included. For a more complete discussion of the metrics and method of calculating the applicable performance metrics for PSU awards, please see the discussion of Performance Stock Units in the Equity Compensation section of the Compensation Discussion & Analysis above.
- (6) Represents the estimated present value of continued health and welfare benefits and other perquisites for the life of the executive and his spouse.

PSU Acceleration ⁽⁵⁾	Benefit Continuation ⁽⁶⁾	Nonqualified Deferred Compensation Balance ⁽⁷⁾	Supplemental Pension ⁽⁸⁾	Split-Dollar Life Insurance Substitute Payment ⁽⁹⁾	Total
\$1,347,314	\$1,346,071	\$3,733,059	\$ 427,623	\$2,125,000	\$20,467,167
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$1,347,314	\$1,346,071	\$3,733,059	\$ 2,246,078	\$2,125,000	\$17,649,695
\$1,347,314	\$1,795,261	\$3,738,619	\$ 939,697	\$2,080,000	\$21,388,991
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$1,347,314	\$1,795,261	\$3,738,619	\$ 3,015,014	\$2,080,000	\$18,828,381
\$8,723,797	\$ —	\$ 367,354	\$19,368,247	\$ —	\$62,637,899
\$ —	\$ —	\$ 367,354	\$19,368,247	\$ —	\$23,703,101
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$8,723,797	\$ —	\$ 367,354	\$19,368,247	\$ —	\$62,637,899
\$1,392,260	\$ —	\$ 34,672	\$ —	\$ —	\$15,410,229
\$ —	\$ —	\$ 34,672	\$ —	\$ —	\$ 1,724,672
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$1,392,260	\$ —	\$ 34,672	\$ —	\$ —	\$15,410,229
\$1,392,260	\$ —	\$1,397,436	\$ —	\$ —	\$12,237,630
\$ —	\$ —	\$1,397,436	\$ —	\$ —	\$ 3,087,436
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$1,392,260	\$ —	\$1,397,436	\$ —	\$ —	\$12,237,630
\$ 673,657	\$ —	\$ 265,636	\$ —	\$ —	\$ 3,096,996
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 673,657	\$ —	\$ 265,636	\$ —	\$ —	\$ 3,096,996
\$1,167,682	\$ —	\$ 878,392	\$ —	\$ —	\$14,308,985
\$ —	\$ —	\$ 878,392	\$ —	\$ —	\$ 2,453,392
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$1,167,682	\$ —	\$ 878,392	\$ —	\$ —	\$14,308,985

(7) Reflects executives' vested account balances as of February 28, 2015.

(8) For Messrs. Eisenberg and Feinstein, represents the estimated present value of lifetime supplemental pension payments, commencing six months following the conclusion of the Senior Status Period. For Mr. Temares, present value will be paid out six months following (1) termination without cause or (2) any termination (including voluntary termination) following a change in control.

(9) This amount will be paid on the last day of the following fiscal year.

(10) The employment agreements of Messrs. Eisenberg and Feinstein provide that in the event any amounts paid or provided to the executive in connection with a change in control are determined to constitute "excess parachute payments" under Section 280G of the Code which would be subject to the excise tax imposed by Section 4999 of the Code, the payments and benefits due to the executive will be reduced if the reduction would result in a greater amount payable to the executive after taking into account the excise tax imposed by Section 4999 of the Code. However, no reduction of payments and benefits are disclosed above since neither of these executives would have been subject to excise taxes as a result of payments subject to Section 280G of the Code that would have been made in connection with a change in control occurring on February 28, 2015.

(11) Cash severance represents three times current salary payable over a period of three years following a termination without cause; or, in the cases of Messrs. Eisenberg and Feinstein, following a termination without cause or constructive termination occurring on a change in control or within two years following a change in control.

(12) In the event of a termination of employment due to death or disability, Mr. Temares (or his estate) will receive the same payments as if there was a "Termination Without Cause."

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

(14) In the event of a termination of employment due to death or disability, the named executive officer (or the executive's estate) will receive the same payments as if there were a "Termination Without Cause."

GRANTS OF PLAN BASED AWARDS

Grants of Stock Options and Performance Stock Units for Fiscal 2014

The following table sets forth information with respect to stock options granted and performance stock units awarded during fiscal 2014 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 2014.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards			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⁾ (\$)
		Threshold ⁽¹⁾ (#)	Target ⁽¹⁾ (#)	Maximum ⁽¹⁾ (#)				
Warren Eisenberg	5/12/14	0	24,062	36,093				\$ 1,500,025
	5/12/14				23,855	\$62.34	\$62.83	\$ 500,010
Leonard Feinstein	5/12/14	0	24,062	36,093				\$ 1,500,025
	5/12/14				23,855	\$62.34	\$62.83	\$ 500,010
Steven H. Temares	5/12/14	0	155,796	233,695				\$ 9,712,323
	5/12/14				231,682	\$62.34	\$62.83	\$ 4,856,147
Arthur Stark	5/12/14	0	24,864	37,296				\$ 1,550,022
	5/12/14				28,626	\$62.34	\$62.83	\$ 600,012
Eugene A. Castagna	5/12/14	0	24,864	37,296				\$ 1,550,022
	5/12/14				28,626	\$62.34	\$62.83	\$ 600,012
Susan E. Lattmann	5/12/14	0	12,031	18,047				\$ 750,013
	5/12/14				14,313	\$62.34	\$62.83	\$ 300,006
Matthew Fiorilli	5/12/14	0	20,854	31,281				\$ 1,300,038
	5/12/14				28,626	\$62.34	\$62.83	\$ 600,012

- (1) Number of shares when converted from dollars to shares, which number is rounded up to the nearest whole share.
- (2) The exercise price of option awards is the average of the high and low trading prices of the Company's common stock on the date of grant.
- (3) Pursuant to the SEC rules, stock and option awards are valued in accordance with ASC 718. See footnote 3 to the Summary Compensation Table in this Proxy Statement.

Vesting of stock option awards depends on time vesting, subject in general to the executive remaining in the Company's service on specific vesting dates. The options granted in fiscal 2014 to Messrs. Eisenberg and Feinstein vest in three equal installments starting on the first anniversary of the grant date. The options granted in fiscal 2014 to Messrs. Temares, Stark, Castagna and Fiorilli and Ms. Lattmann vest in five equal installments starting on the first anniversary of the grant date. At the time of grant or thereafter, option awards and underlying shares of common stock are not transferable other than by will or the laws of descent and distribution, except as the Compensation Committee may permit.

Vesting of performance stock unit awards ("PSUs") depends on (i) the Company's achievement of a performance-based test during a one-year period from the date of grant and during a three-year period from the date of grant, and (ii) assuming achievement of the performance-based test, time vesting, subject, in general, to the executive remaining in the Company's service on specified vesting dates. Performance during the one-year period is based on Earnings Before Interest and Taxes ("EBIT") margin relative to a peer group of the Company comprising 50 companies. Upon achievement of the one-year performance-based test, the corresponding PSUs will vest annually in substantially equal installments over a three year period starting one year from the date of grant. Performance during the three-year period is based on Return on Invested Capital ("ROIC") relative to such peer group. Upon achievement of the three-year performance-based test, the corresponding PSUs will vest on the fourth anniversary date of grant. The awards based on EBIT margin and ROIC are capped at 150% of target achievement, with a floor of zero. PSUs are converted into shares of common stock upon payment following vesting.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table sets forth information for each of the named executive officers with respect to the value of all unexercised options, unvested restricted stock awards and unvested performance stock units as of February 28, 2015, the end of fiscal 2014.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ⁽¹⁾ (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested ⁽¹²⁾ (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ⁽¹¹⁾ (\$)
Warren Eisenberg	81,367	—	\$32.8700	5/12/16	47,578 ⁽⁶⁾	\$ 3,552,173	24,062 ⁽¹²⁾	\$ 1,796,469
	84,603	—	\$28.3300	5/11/17				
	29,326	—	\$45.2000	5/10/18				
	25,440	—	\$56.1850	5/10/19				
	14,455	7,227 ⁽²⁾	\$68.9100	5/10/20				
	7,481	14,961 ⁽²⁾	\$69.7750	5/10/21				
	—	23,855 ⁽²⁾	\$62.3400	5/12/22				
Leonard Feinstein	81,367	—	\$32.8700	5/12/16	47,578 ⁽⁶⁾	\$ 3,552,173	24,062 ⁽¹²⁾	\$ 1,796,469
	84,603	—	\$28.3300	5/11/17				
	29,326	—	\$45.2000	5/10/18				
	25,440	—	\$56.1850	5/10/19				
	14,455	7,227 ⁽²⁾	\$68.9100	5/10/20				
	7,481	14,961 ⁽²⁾	\$69.7750	5/10/21				
	—	23,855 ⁽²⁾	\$62.3400	5/12/22				
Steven H. Temares	374,288 ⁽¹⁷⁾	—	\$32.8700	5/12/16	186,745 ⁽⁷⁾	\$ 13,942,382	155,796 ⁽¹³⁾	\$ 11,631,729
	296,109	—	\$28.3300	5/11/17				
	211,144	52,786 ⁽³⁾	\$45.2000	5/10/18				
	152,640	101,760 ⁽³⁾	\$56.1850	5/10/19				
	99,738	149,609 ⁽³⁾	\$68.9100	5/10/20				
	60,591	242,365 ⁽³⁾	\$69.7750	5/10/21				
	—	231,682 ⁽³⁾	\$62.3400	5/12/22				
Arthur Stark	—	8,206 ⁽⁴⁾	\$32.8700	5/12/16	90,814 ⁽⁸⁾	\$ 6,780,173	24,864 ⁽¹⁴⁾	\$ 1,856,346
	—	17,866 ⁽⁴⁾	\$28.3300	5/11/17				
	25,680	6,421 ⁽⁴⁾	\$45.2000	5/10/18				
	18,316	12,212 ⁽⁴⁾	\$56.1850	5/10/19				
	10,407	15,612 ⁽⁴⁾	\$68.9100	5/10/20				
	5,386	21,544 ⁽⁴⁾	\$69.7750	5/10/21				
	—	28,626 ⁽⁴⁾	\$62.3400	5/12/22				
Eugene A. Castagna	—	8,206 ⁽⁴⁾	\$32.8700	5/12/16	75,339 ⁽⁹⁾	\$ 5,624,810	24,864 ⁽¹⁴⁾	\$ 1,856,346
	—	17,866 ⁽⁴⁾	\$28.3300	5/11/17				
	25,680	6,421 ⁽⁴⁾	\$45.2000	5/10/18				
	18,316	12,212 ⁽⁴⁾	\$56.1850	5/10/19				
	10,407	15,612 ⁽⁴⁾	\$68.9100	5/10/20				
	5,386	21,544 ⁽⁴⁾	\$69.7750	5/10/21				
	—	28,626 ⁽⁴⁾	\$62.3400	5/12/22				
Susan E. Lattmann	—	14,313 ⁽⁵⁾	\$62.3400	5/12/22	16,493 ⁽¹⁰⁾	\$ 1,231,367	12,031 ⁽¹⁵⁾	\$ 898,234
Matthew Fiorilli	32,823	8,206 ⁽⁴⁾	\$32.8700	5/12/16	72,392 ⁽¹¹⁾	\$ 5,404,787	20,854 ⁽¹⁶⁾	\$ 1,556,960
	26,798	17,866 ⁽⁴⁾	\$28.3300	5/11/17				
	25,680	6,421 ⁽⁴⁾	\$45.2000	5/10/18				
	18,316	12,212 ⁽⁴⁾	\$56.1850	5/10/19				
	10,407	15,612 ⁽⁴⁾	\$68.9100	5/10/20				
	5,386	21,544 ⁽⁴⁾	\$69.7750	5/10/21				
	—	28,626 ⁽⁴⁾	\$62.3400	5/12/22				

- (1) Market value is based on the closing price of the Company's common stock of \$74.66 per share on February 27, 2015, the last trading day in fiscal 2014.
- (2) Messrs. Eisenberg and Feinstein's unvested option awards are scheduled to vest as follows: (a) 7,227 on May 10, 2015, (b) 7,480 on May 10, 2015 and 7,481 on May 10, 2016 and (c) 7,952 on each of May 12, 2015 and 2017 and 7,951 on May 12, 2016.
- (3) Mr. Temares' unvested option awards are scheduled to vest as follows: (a) 52,786 on May 10, 2015, (b) 50,880 on each of May 10, 2015 and 2016, (c) 49,870 on each of May 10, 2015 and 2017 and 49,869 on May 10, 2016, (d) 60,591 on each of May 10, 2015, 2016 and 2017 and 60,592 on May 10, 2018 and (e) 46,336 on each of May 12, 2015, 2016 and 2018 and 46,337 on each of May 12, 2017 and 2019.
- (4) Messrs. Stark, Castagna and Fiorilli's unvested option awards are scheduled to vest as follows: (a) 8,206 on May 12, 2015, (b) 8,933 on each of May 11, 2015 and 2016, (c) 6,421 on May 10, 2015, (d) 6,106 on each of May 10, 2015 and 2016, (e) 5,204 on each of May 10, 2015, 2016 and 2017, (f) 5,386 on each of May 10, 2015, 2016, 2017 and 2018 and (g) 5,725 on each of May 12, 2015, 2016, 2017 and 2018 and 5,726 on May 12, 2019.
- (5) Ms. Lattmann's unvested option awards are scheduled to vest as follows: 2,862 on each of May 12, 2015 and 2017 and 2,863 on each of May 12, 2016, 2018 and 2019.
- (6) Messrs. Eisenberg and Feinstein's unvested restricted stock awards are scheduled to vest as follows: (a) 6,638 on May 10, 2015, (b) 5,340 on each of May 10, 2015 and 2016, (c) 4,353 on May 10, 2015 and 4,354 on each of May 10, 2016 and 2017 and (d) 4,300 on each of May 10, 2015, 2017 and 2018 and 4,299 on May 10, 2016.
- (7) Mr. Temares' unvested restricted stock awards are scheduled to vest as follows: (a) 19,912 on May 10, 2015, (b) 18,599 on May 10, 2015 and 18,600 on May 10, 2016, (c) 17,414 on each of May 10, 2015, 2016 and 2017 and (d) 19,348 on each of May 10, 2015, 2016, 2017 and 2018.
- (8) Mr. Stark's unvested restricted stock awards are scheduled to vest as follows: (a) 6,085 on May 12, 2015, (b) 7,060 on each of May 11, 2015 and 2016, (c) 5,531 on each of May 10, 2015, 2016 and 2017, (d) 4,450 on each of May 10, 2015, 2017 and 2018 and 4,449 on May 10, 2016, (e) 3,918 on each of May 10, 2015, 2016, 2017 and 2018 and 3,919 on May 10, 2019 and (f) 4,156 on each of May 10, 2015 and 2017 and 4,157 on each of May 10, 2016 and 2018.
- (9) Mr. Castagna's unvested restricted stock awards are scheduled to vest as follows: (a) 4,564 on May 12, 2015, (b) 5,295 on each of May 11, 2015 and 2016, (c) 4,425 on each of May 10, 2015, 2016 and 2017, (d) 3,560 on each of May 10, 2015, 2016, 2017 and 2018, (e) 3,192 on each of May 10, 2015 and 2017 and 3,193 on each of May 10, 2016, 2018 and 2019, (f) 3,440 on each of May 10, 2015, 2016, 2017 and 2018 and (g) 737 on each of February 26, 2016, 2018 and 2019 and 736 on February 26, 2017.
- (10) Ms. Lattmann's unvested restricted stock awards are scheduled to vest as follows: (a) 1,217 on May 12, 2015, (b) 1,412 on each of May 11, 2015 and 2016, (c) 885 on each of May 10, 2015, 2016 and 2017, (d) 712 on each of May 10, 2015, 2016, 2017 and 2018, (e) 580 on each of May 10, 2015 and 2017 and 581 on each of May 10, 2016, 2018 and 2019, (f) 573 on each of May 10, 2016, 2017 and 2019 and 574 on each of May 10, 2018 and 2020 and (g) 295 on each of February 26, 2016, 2018 and 2019 and 294 on February 26, 2017.
- (11) Mr. Fiorilli's unvested restricted stock awards are scheduled to vest as follows: (a) 4,564 on May 12, 2015, (b) 5,295 on each of May 11, 2015 and 2016, (c) 4,425 on each of May 10, 2015, 2016 and 2017, (d) 3,560 on each of May 10, 2015, 2016, 2017 and 2018, (e) 3,192 on each of May 10, 2015 and 2017 and 3,193 on each of May 10, 2016, 2018 and 2019 and (f) 3,440 on each of May 10, 2015, 2016, 2017 and 2018.
- (12) Messrs. Eisenberg and Feinstein's unvested performance stock unit ("PSU") awards are valued at target achievement and include 18,046 PSU awards, subject to a one-year performance goal, and 6,016 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: 6,016 on May 12, 2015 and 6,015 on each of May 12, 2016 and 2017. Upon attainment of the three-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the 6,016 PSU awards are scheduled to vest on May 12, 2018.
- (13) Mr. Temares' unvested PSU awards are valued at target achievement and include 116,847 PSU awards, subject to a one-year performance goal, and 38,949 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: 38,949 on each of May 12, 2015, 2016 and 2017. Upon attainment of the three-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the 38,949 PSU awards are scheduled to vest on May 12, 2018.
- (14) Messrs. Stark and Castagna's unvested PSU awards are valued at target achievement and include 18,648 PSU awards, subject to a one-year performance goal, and 6,216 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: 6,216 on each of May 12, 2015, 2016 and 2017. Upon attainment of the three-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the 6,216 PSU awards are scheduled to vest on May 12, 2018.
- (15) Ms. Lattmann's unvested PSU awards are valued at target achievement and include 9,023 PSU awards, subject to a one-year performance goal, and 3,008 PSU awards, subject to a three-year performance goal. Upon attainment of the one-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: 3,008 on each of May 12, 2015 and 2017 and 3,007 on May 12, 2016. Upon attainment of the three-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the 3,008 PSU awards are scheduled to vest on May 12, 2018.
- (16) Mr. Fiorilli's unvested PSU awards are valued at target achievement and include 15,640 PSU awards, subject to a one-year performance goal, and 5,214 PSU awards, subject to a three-year performance goal. Upon attainment of the one-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: 5,214 on each of May 12, 2015 and 5,213 on each of May 12, 2016 and 2017. Upon attainment of the three-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the 5,214 PSU awards are scheduled to vest on May 12, 2018.
- (17) Mr. Temares' 374,288 exercisable option awards that expire on May 12, 2016 include 187,144 option awards held by him individually and 187,144 option awards held by a family limited partnership.

OPTION EXERCISES AND STOCK VESTED

Option Exercises and Restricted Stock Vested for Fiscal 2014

The following table includes certain information with respect to the exercise of options and vesting of restricted stock by named executive officers during fiscal 2014.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Warren Eisenberg ^{(1) (2)}	200,000	5,666,870	34,749	2,126,363
Leonard Feinstein ^{(1) (2)}	200,000	5,666,870	34,749	2,126,363
Steven H. Temares ^{(1) (3)}	214,286	7,844,413	99,983	6,127,308
Arthur Stark ^{(1) (5)}	76,416	2,793,449	32,146	1,975,286
Eugene A. Castagna ^{(4) (6)}	84,621	3,574,835	25,666	1,586,366
Susan E. Lattmann ⁽⁴⁾	—	—	5,493	340,622
Matthew Fiorilli ^{(1) (7)}	50,000	1,434,135	24,930	1,531,961

- (1) Messrs. Eisenberg, Feinstein, Temares, Stark and Fiorilli each acquired shares on May 10, 2014, May 11, 2014 and May 12, 2014, upon the lapse of restrictions on previously granted shares of restricted stock.
- (2) Messrs. Eisenberg and Feinstein exercised stock options on April 10, 2014 and November 21, 2014.
- (3) Mr. Temares exercised stock options on April 11, 2014, February 4, 2015 and February 5, 2015.
- (4) Mr. Castagna and Ms. Lattmann each acquired shares on May 10, 2014, May 11, 2014, May 12, 2014 and February 26, 2015, upon the lapse of restrictions on previously granted shares of restricted stock.
- (5) Mr. Stark exercised stock options on April 17, 2014 and November 13, 2014.
- (6) Mr. Castagna exercised stock options on November 6, 2014, November 14, 2014 and February 6, 2015.
- (7) Mr. Fiorilli exercised stock options on April 14, 2014 and January 16, 2015.

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 2014.

Nonqualified Deferred Compensation for Fiscal 2014

Name	Executive Contributions for Fiscal 2014 ⁽¹⁾ (\$)	Company Contributions for Fiscal 2014 ⁽²⁾ (\$)	Aggregate Earnings (Losses) in Fiscal 2014 ⁽³⁾ (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Fiscal Year End 2014 ⁽⁴⁾ (\$)
Warren Eisenberg	550,000	7,800	350,437	—	3,733,059
Leonard Feinstein	550,000	7,800	350,897	—	3,738,619
Steven H. Temares	40,624	1,576	29,230	—	367,354
Arthur Stark	10,639	5,204	889	—	34,672
Eugene A. Castagna	166,154	4,425	125,731	—	1,397,436
Susan E. Lattmann	29,594	3,630	17,862	—	265,636
Matthew Fiorilli	140,654	1,725	63,581	—	878,392

- (1) All amounts reported in this column were also reported in this Proxy Statement in the "Salary" column of the Summary Compensation Table for the applicable named executive officer.
- (2) All amounts reported in this column were also reported in this Proxy Statement in the "All Other Compensation" column of the Summary Compensation Table for the applicable named executive officer.
- (3) Amounts reported in this column represent returns on participant-selected investments.
- (4) Amounts reported in this column that were also reported in previously filed Proxy Statements in the "Salary" or "All Other Compensation" columns of the Summary Compensation Tables for Messrs. Eisenberg, Feinstein, Temares, Stark, Castagna and Fiorilli and Ms. Lattmann were \$2,028,478, \$2,031,974, \$209,482, \$17,780, \$791,259, \$91,012 and \$29,173, respectively.

Under the Company's nonqualified deferred compensation plan, a participant's regular earnings may be deferred at the election of the participant, excluding bonus or 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 \$7,800 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.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of shares of our common stock as of May 6, 2015 by (i) each person or group of affiliated persons known by us to beneficially own more than 5% of our common stock; (ii) our named executive officers; (iii) each of our directors and nominees for director; and (iv) all of our directors and executive officers as a group.

The following table gives effect to the shares of common stock issuable within 60 days of May 6, 2015 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 171,308,612 shares of our common stock outstanding at May 6, 2015. Except as otherwise noted below, each person or entity named in the following table has sole voting and investment power with respect to all shares of our common stock that he, she or it beneficially owns.

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

Name	Position	Number of Shares of Common Stock Beneficially Owned and Percent of Class as of May 6, 2015	
BlackRock, Inc.		10,125,858 ⁽¹⁾	5.9%
Brown Brothers Harriman & Co.		9,852,640 ⁽²⁾	5.8%
The Vanguard Group		9,605,096 ⁽³⁾	5.6%
FMR LLC		9,436,637 ⁽⁴⁾	5.5%
Warren Eisenberg	Co-Chairman and Director	2,982,862 ⁽⁵⁾	1.7%
Leonard Feinstein	Co-Chairman and Director	1,884,890 ⁽⁶⁾	1.1%
Steven H. Temares	Chief Executive Officer and Director	2,018,624 ⁽⁷⁾	1.2%
Arthur Stark	President and Chief Merchandising Officer	261,549 ⁽⁸⁾	*
Eugene A. Castagna	Chief Operating Officer	240,149 ⁽⁹⁾	*
Susan E. Lattmann	Chief Financial Officer and Treasurer	29,454 ⁽¹⁰⁾	*
Matthew Fiorilli	Senior Vice President – Stores	290,378 ⁽¹¹⁾	*
Dean S. Adler	Director	24,887	*
Stanley F. Barshay	Director	22,619	*
Geraldine T. Elliott	Director	1,519	*
Klaus Eppler	Director	13,164	*
Patrick R. Gaston	Director	15,053	*
Jordan Heller	Director	15,076	*
Victoria A. Morrison	Director	12,859	*
All Directors and Executive Officers as a Group (14 persons)		7,813,083	4.6%

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

- (1) Information regarding BlackRock, Inc. was obtained from a Schedule 13G filed with the SEC on February 9, 2015 by BlackRock, Inc. The Schedule 13G states that BlackRock, Inc. has sole voting power of 8,561,955 shares of common stock and sole dispositive power of 10,125,858 shares of common stock. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10022.
- (2) Information regarding Brown Brothers Harriman & Co. was obtained from a Schedule 13G filed with the SEC on January 16, 2015 by Brown Brothers Harriman & Co. The Schedule 13G states that Brown Brothers Harriman & Co. has sole voting power and sole dispositive power of 2,946,608 shares of common stock, shared voting power of 5,925,976 shares of common stock and shared dispositive power of 6,906,032 shares of common stock. The address of Brown Brothers Harriman & Co. is 140 Broadway, New York, NY 10005.
- (3) Information regarding The Vanguard Group was obtained from a Schedule 13G filed with the SEC on February 10, 2015 by The Vanguard Group. The Schedule 13G states that The Vanguard Group has sole voting power of 326,098 shares of common stock, sole dispositive power of 9,303,328 shares of common stock and shared dispositive power of 301,768 shares of common stock. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.
- (4) Information regarding FMR LLC was obtained from a Schedule 13G filed with the SEC on February 13, 2015 by FMR LLC. The Schedule 13G states that FMR LLC has sole voting power of 528,813 shares of common stock and sole dispositive power of 9,436,637 shares of common stock. The address of FMR LLC is 245 Summer Street, Boston, MA 02210.
- (5) The shares shown as being owned by Mr. Eisenberg include: (a) 600,885 shares owned by Mr. Eisenberg individually; (b) 265,331 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) 1,500,000 shares owned by trusts for the benefit of Mr. Eisenberg and his family members; (e) 69,068 shares owned by his spouse; and (f) 47,578 shares of restricted stock. 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.

- (6) The shares shown as being owned by Mr. Feinstein include: (a) 890,228 shares owned by Mr. Feinstein individually; (b) 99,361 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; and (f) 47,578 shares of restricted stock. 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.
- (7) The shares shown as being owned by Mr. Temares include: (a) 357,620 shares owned by Mr. Temares individually; (b) 1,267,829 shares issuable pursuant to stock options granted to Mr. Temares that are exercisable or become exercisable within 60 days; (c) 187,144 shares issuable pursuant to stock options that are exercisable held by a family limited partnership, of which Mr. Temares and his spouse are the sole general partners, and of which Mr. Temares and his spouse serve as limited partners together with trusts for the benefit of Mr. Temares, his spouse and his children; (d) 14,286 shares owned by the above described family limited partnership; (e) 5,000 shares owned by a family limited partnership established by Mr. Temares' mother; and (f) 186,745 shares of restricted stock. 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.
- (8) The shares shown as being owned by Mr. Stark include: (a) 64,965 shares owned by Mr. Stark individually; (b) 105,770 shares issuable pursuant to stock options granted to Mr. Stark that are exercisable or become exercisable within 60 days; and (c) 90,814 shares of restricted stock.
- (9) The shares shown as being owned by Mr. Castagna include: (a) 59,040 shares owned by Mr. Castagna individually; (b) 105,770 shares issuable pursuant to stock options granted to Mr. Castagna that are exercisable or become exercisable within 60 days; and (c) 75,339 shares of restricted stock.
- (10) The shares shown as being owned by Ms. Lattmann include: (a) 10,099 shares owned by Ms. Lattmann individually; (b) 2,862 shares issuable pursuant to stock options granted to Ms. Lattmann that become exercisable within 60 days; and (c) 16,493 shares of restricted stock.
- (11) The shares shown as being owned by Mr. Fiorilli include: (a) 52,595 shares owned by Mr. Fiorilli individually; (b) 165,391 shares issuable pursuant to stock options granted to Mr. Fiorilli that are exercisable or become exercisable within 60 days; and (c) 72,392 shares of restricted stock.

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 immediate families, have a direct or indirect material interest. The Committee's responsibility with respect to the review and approval of these transactions is set forth in the Audit Committee's charter.

Martin Eisenberg is the Company's Regional Vice President for the Northeast Region, with responsibilities in areas that include store operations, merchandising, store design and product sourcing. For fiscal 2014, his salary was \$506,530 and he received other benefits consistent with his position and tenure, including a restricted stock award valued at \$150,000, and an automotive allowance and employer 401(k) match aggregating approximately \$12,000. He has been employed by the Company since 1977 and is the son of Warren Eisenberg, the Company's Co-Chairman.

A brother-in-law of Arthur Stark, the Company's President, earned in his capacity as a sales representative employed by Blue Ridge Home Fashions commissions (aggregating approximately \$299,000) on sales of merchandise in fiscal 2014 by Blue Ridge Home Fashions to the Company in the amount of approximately \$29.9 million, and 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 \$2.9 million in fiscal 2014. 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.

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 2014, 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, except for one late Form 4 filing for each of Eugene A. Castagna and Susan E. Lattmann (withholding of shares upon vesting to satisfy tax obligations) that was due on March 2, 2015, which is part of fiscal 2015.

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.

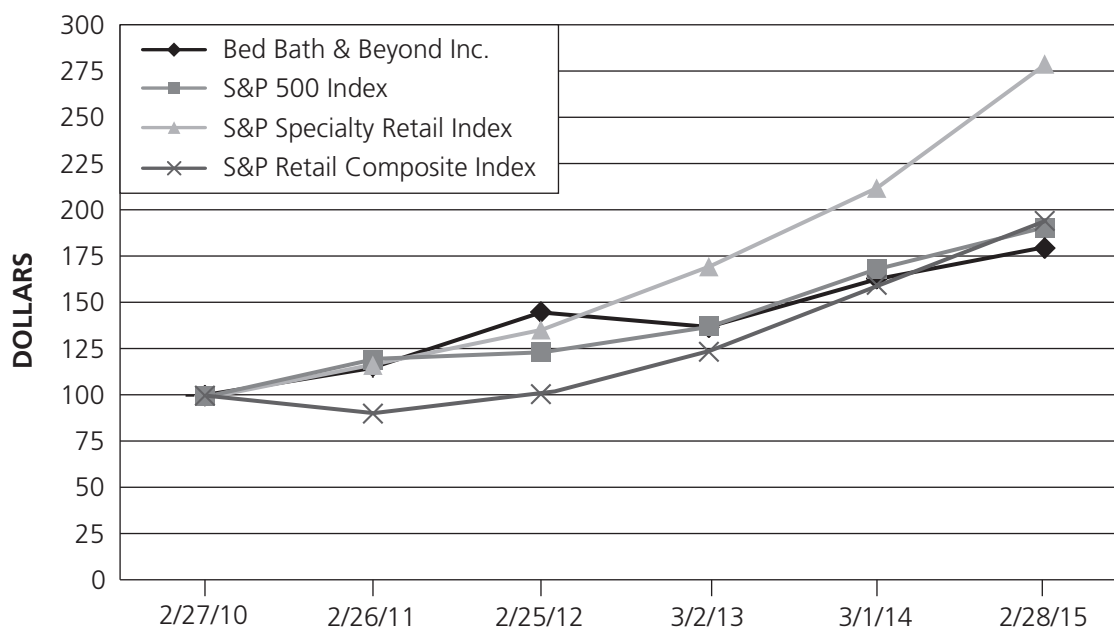
If you are a record holder who participates in householding and wish to receive separate copies of the proxy materials for the 2015 Annual Meeting or future Annual Meetings, then please contact the Secretary of the Company by writing to 650 Liberty Avenue, Union, New Jersey 07083 or calling 908-688-0888. We will promptly deliver separate copies of the proxy materials for the 2015 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.

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 27, 2010, and the reinvestment of dividends, if any).



NEXT YEAR'S ANNUAL MEETING

Proposals which shareholders intend to be eligible for inclusion in next year's proxy statement under the SEC's proxy rules must be received by the Company no later than January 30, 2016. Such proposals can be sent to the Company at 650 Liberty Avenue, Union, New Jersey 07083, Attn: Warren Eisenberg, Co-Chairman and Secretary.

In addition, under the Company's Amended By-laws, any proposal for consideration at the 2016 Annual Meeting of Shareholders submitted by a shareholder other than pursuant to Rule 14a-8 will be considered timely if it is received by the Secretary of the Company at its principal executive offices at 650 Liberty Avenue, Union, New Jersey 07083 between the close of business on March 4, 2016 and the close of business on April 3, 2016, and is otherwise in compliance with the requirements set forth in the Company's Amended By-laws. If the date of the 2016 Annual Meeting of Shareholders is more than 30 days before or more than 60 days after the anniversary date of the 2015 Annual Meeting of Shareholders, notice must be received not earlier than the close of business on the 120th day prior to the 2016 Annual Meeting of Shareholders and not later than the close of business on the 90th day prior to the 2016 Annual Meeting of Shareholders, or if the first public announcement of the date of the 2016 Annual Meeting of Shareholders is less than 100 days prior to the date of the 2016 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.

BED BATH & BEYOND INC.

CORPORATE AND SHAREHOLDER INFORMATION

Corporate Office

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

Shareholder Information

A copy of the Company's 2014 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: 908/688-0888

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 Stock Market under the symbol BBBY.

Annual Meeting

The Annual Meeting of Shareholders will be held at 9 a.m. July 2, 2015, 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 National Market System during fiscal 2014 and fiscal 2013:

QUARTER	HIGH	LOW
FISCAL 2014		
First	\$69.80	\$60.51
Second	64.53	56.70
Third	73.69	62.40
Fourth	79.45	71.12
FISCAL 2013		
First	\$70.07	\$56.75
Second	78.18	66.98
Third	78.58	71.78
Fourth	80.48	62.68

At May 6, 2015, there were approximately 5,800 shareholders of record. This number excludes individual shareholders holding stock under nominee security position listings.

Transfer Agent

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

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

Websites

www.andthat.com
www.bedbathandbeyond.com
www.buybuybaby.com
www.christmastreeshops.com
www.facevalues.com
www.harborlinen.com
www.harmondiscout.com
www.t-ygroup.com
www.worldmarket.com
www.bedbathandbeyond.ca

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