

BED BATH & BEYOND INC  
Form DEF 14A  
May 29, 2013

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

Bed Bath & Beyond Inc.  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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  - (2) Form, Schedule or Registration Statement No.:
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  - (4) Date Filed:

**BED BATH & BEYOND INC.**  
**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**June 28, 2013**

**TIME** 9:00 A.M. on Friday, June 28, 2013

**PLACE** Madison Hotel  
One Convent Road  
Morristown, New Jersey 07960

**ITEMS OF BUSINESS**

(1) To elect nine directors until the Annual Meeting in 2014 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 2013 fiscal year (Proposal 2).

(3) To consider the approval, by non-binding vote, of the 2012 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 3, 2013.

**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 June 28, 2013:** this Notice of 2013 Annual Meeting of Shareholders, Proxy Statement and the Company's 2012 Annual Report are available at [www.bedbathandbeyond.com/annualmeeting2013.asp](http://www.bedbathandbeyond.com/annualmeeting2013.asp).

May 29, 2013

Warren Eisenberg  
Co-Chairman

Leonard Feinstein  
Co-Chairman

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**Bed Bath & Beyond Inc.**  
**650 Liberty Avenue**  
**Union, New Jersey 07083**

## 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 2013 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 2012 Annual Report are being mailed starting May 29, 2013. The information regarding stock ownership and other matters in this Proxy Statement is as of the record date, May 3, 2013, unless otherwise indicated.

### What may I vote on?

You may vote on the following proposals:

- election of nine directors to hold office until the Annual Meeting in 2014 (Proposal 1);
- ratification of the appointment of KPMG LLP as independent auditors for the fiscal year ending March 1, 2014 (fiscal 2013) (Proposal 2); and
- consider the approval, by non-binding vote, of the 2012 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 NINE DIRECTORS, FOR THE RATIFICATION OF THE APPOINTMENT OF AUDITORS AND FOR THE SAY-ON-PAY PROPOSAL.**

### Who may vote?

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Shareholders of record of the Company's common stock at the close of business on May 3, 2013 are entitled to receive this notice and to vote their shares at the Annual Meeting. As of that date, there were 218,586,230 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. stock.

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**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](http://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. on June 27, 2013.

**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

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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 2013 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 2013 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 March 23, 2013, 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 2012 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, upon recommendation of its Nominating and Corporate Governance Committee, has nominated for reelection as directors, for a one year term expiring at the 2014 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*, 82, 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*, 76, 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 42-year history and their overall experience in the retail industry, in each case for over 50 years.

*Steven H. Temares*, 54, currently serves as Chief Executive Officer of the Company. 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*, 56, 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. During the last six years, Mr. Adler also served as a director of Developers Diversified Realty Corp., a shopping center real estate investment trust, and Electronics Boutique, Inc., a mall retailer. Mr. Adler has wide experience and involvement in commercial real estate including, in particular, retail real estate.

*Stanley F. Barshay*, 73, 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.



*Klaus Eppler*, 82, 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. Mr. Eppler brings to the Board his experience with a wide variety of retailers.

*Patrick R. Gaston*, 55, 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 CEO 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*, 52, 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. 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*, 60, 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 NINE NOMINEES AS DIRECTORS.**

**OTHER BOARD OF DIRECTORS INFORMATION**

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

The Board of Directors held eleven meetings during the fiscal year ended March 2, 2013 ( fiscal 2012 ).

**Director Attendance**

Each director of the Company attended more than 90% 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 current directors attended the 2012 Annual Meeting of Shareholders.

**How were directors compensated for fiscal 2012?**

The following table provides compensation information for each member of our Board of Directors during fiscal 2012, 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 2012 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 fifty percent 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 first trading day following the expiration of any applicable blackout period following the last day of the fiscal year of grant provided that the director remains in office until the last day of the fiscal year. The following table provides director compensation information for fiscal 2012.

**Director Compensation Table for Fiscal 2012**

As described more fully below, the following table summarizes the annual cash compensation for the non-employee directors as members of our Board of Directors during fiscal 2012.

| Name                 | Fees Earned or<br>Paid in Cash<br>(\$) | Stock Awards<br>(\$) | Total<br>(\$) |
|----------------------|--|----------------------|---------------|
| Dean S. Adler        | 107,500(2)                             | 90,000(1)            | 197,500       |
| Stanley F. Barshay   | 115,000(3)                             | 90,000(1)            | 205,000       |
| Klaus Eppler         | 122,500                                | 90,000(1)            | 212,500       |
| Patrick R. Gaston    | 110,000(2)                             | 90,000(1)            | 200,000       |
| Jordan Heller        | 110,000                                | 90,000(1)            | 200,000       |
| Victoria A. Morrison | 112,500                                | 90,000(1)            | 202,500       |

(1) Represents the value of 1,478 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 2012 Annual Meeting of Shareholders (\$60.93 per share, the average of the high and low trading prices on June 22, 2012), such restricted stock to vest on the first trading day following the expiration of any applicable blackout period following the last day of the fiscal year of grant provided that the director remains in office until the last day of the fiscal year. The 1,478 restricted shares of common stock represent the aggregate number of stock awards outstanding for each director as of March 2, 2013.

(2) Fifty percent of these director fees were 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 \$55.65 per share, the average of the high and low trading prices on December 21, 2012.

(3) 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 (2).

**Director Independence**

The Board of Directors, upon the advice of the Nominating and Corporate Governance Committee, has determined that each of Ms. Morrison and Messrs. Adler, Barshay, Eppler, Gaston and Heller 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 2012

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fiscal year. The Board of Directors' independence determinations included reviewing the following two 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. One such fund has among its investments interests in entities which hold retail properties, and portions of one such property are under lease to the Company or subsidiaries for the operation of two of the over 1,400 stores operated by the Company. The interest of this fund in the rentals from the two stores represented a fraction of 1% of the rental income of the funds of which Mr. Adler is a principal or executive officer.

As the Board determined, in both cases, 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 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 2012, 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 2012 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](http://www.bedbathandbeyond.com) under the Investor Relations section.



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

## **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 seven meetings during fiscal 2012. 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 seven meetings during fiscal 2012. The members of the Committee during fiscal 2012 were Messrs. Adler and Eppler and Ms. Morrison. The current members of the Compensation Committee are Messrs. Adler and Barshay and Ms. Morrison. The Committee meets 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 By-laws. The Nominating and Corporate Governance Committee held one meeting during fiscal 2012. The members of the Committee during fiscal 2012 were Messrs. Barshay and Eppler and Ms. Morrison. 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 on the Company's website at [www.bedbathandbeyond.com](http://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, 2012 through June 1, 2013, at a total cost of approximately \$244,625. The primary carrier is Arch Insurance Company.

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 has appointed KPMG LLP to serve as our independent auditors for fiscal 2013, subject to ratification by 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 fees incurred by the Company for professional services rendered by and products purchased from KPMG LLP for fiscal 2012 and the fiscal year ended February 25, 2012 ( fiscal 2011 ) were as follows:

|                    | 2012         | 2011         |
|--------------------|--------------|--------------|
| Audit Fees         | \$ 1,481,000 | \$ 1,200,000 |
| Audit-Related Fees | 7,500        |              |
| Tax Fees           | 59,000       | 67,000       |
| All Other Fees     | 3,000        |              |
|                    | \$ 1,550,500 | \$ 1,267,000 |

In fiscal 2012 and fiscal 2011, 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 2012, audit fees also included fees for additional procedures required due to the acquisitions of Linen Holdings, LLC and Cost Plus, Inc. and audit-related fees included fees for procedures required due to a Form S-8 registration statement. In fiscal 2012 and fiscal 2011, 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, 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 2012 and fiscal 2011, 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 2013.**

**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 Statement on Auditing Standards No. 61, as amended, and as adopted by the Public Company Oversight Board in Rule 3200T, 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 March 2, 2013, filed with the SEC on April 30, 2013.

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 3, 2013.

| <b>Name</b>        | <b>Age</b> | <b>Position</b>                           |
|--------------------|------------|---|
| Warren Eisenberg   | 82         | Co-Chairman and Director                  |
| Leonard Feinstein  | 76         | Co-Chairman and Director                  |
| Steven H. Temares  | 54         | Chief Executive Officer and Director      |
| Arthur Stark       | 58         | President and Chief Merchandising Officer |
| Eugene A. Castagna | 47         | Chief Financial Officer and Treasurer     |
| Matthew Fiorilli   | 56         | 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 Financial Officer and Treasurer since 2006. Mr. Castagna served 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.

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

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

## 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, principal financial officer and the three most highly compensated executive officers of the Company (other than its principal executive officer and principal financial officer) for fiscal 2012 (named executive officers) whose compensation information is presented in the Summary Compensation Table and other tables following this discussion and analysis.

### Overview of Executive Compensation

Since becoming a public company over 20 years ago, the Company has been engaged in an ongoing expansion program involving principally the opening of new stores, the expansion or relocation of existing stores, and the continuous review of strategic acquisitions. Recently the Company embarked on several initiatives, including initiatives designed to create an enhanced omni channel experience for its customers. In addition, during the early months of fiscal 2012, the Company's executives negotiated and then consummated several acquisitions, including a retailer selling a wide range of home decorating items, furniture, gifts, holiday and other seasonal items and specialty food and beverages; and a distributor of a variety of textile products, amenities and other goods to institutional customers. The Compensation Committee's determinations regarding executive compensation for fiscal 2012 were made in the context of these initiatives which added substantially to the size and scope of the Company's operations.

The Company has experienced strong growth and financial stability in the 42 years of its existence and, in particular, in the years since it became a public company in 1992. The Company believes that a key factor in this performance has been the stability of its executive team. Including Warren Eisenberg and Leonard Feinstein, the Company's Co-Chairmen and Co-Founders, each of whom has served the Company's business for over 40 years, the Company's executive officers have an average tenure with the Company of over 30 years. 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. Thus, the Company has been managed by a cohesive group of executives most of whom have worked together, and contributed to the Company's success, for many years.

The Compensation Committee's principal objective is to develop and implement compensation policies to retain this successful executive group, while at the same time aligning the executives' compensation with the Company's performance and enhancements to shareholder value. The cash compensation levels for our named executive officers (our Co-Chairmen, Chief Executive Officer, President and Chief Financial Officer) and the other executive officers whose compensation is determined by the Compensation Committee are within or near market range principally because their sole cash compensation is salary; the Company has no bonus program for these executives or the other executives whose compensation is determined by the Compensation Committee. The Compensation Committee places greater emphasis on equity compensation, consisting of stock options and restricted stock. Further, the Company's equity compensation programs include substantial time vesting provisions which provide greater incentives for the executives to remain with the Company and to focus on the Company's performance over an extended period. Consequently, as a group, the Company's named executive officers had approximately 67% of their total compensation for fiscal 2012 in the form of equity awards vesting over, in most cases, a period of five years.



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The Compensation Committee's determinations regarding total executive compensation for fiscal 2012, made in the spring of 2012, took into account, among other things, the following:

- Net sales in fiscal 2011 increased approximately 8.5% to \$9.500 billion from \$8.759 billion in fiscal 2010 and net earnings per diluted share in fiscal 2011 increased 32% to \$4.06 from \$3.07 in fiscal 2010.
- From fiscal 2009 through the end of fiscal 2011, the Company had an average annual growth in net sales of 9.6% and an average annual growth in net earnings per diluted share of 35.3%.
- From fiscal 2009 through fiscal 2011, the Company had returned approximately 64%, or approximately \$2.0 billion, of its cash flow from operations to its shareholders through the Company's share repurchase programs.
- Since the initial public offering of its common stock in 1992 through the end of fiscal 2011, the Company experienced an average annual growth rate in net sales of 22.0% and an average annual growth in net earnings per diluted share of 24.8%.

The Compensation Committee also believes that the following, which includes information that became available after the Committee's determinations in the spring of 2012, is relevant to shareholders in assessing the Company's performance as it relates to total executive compensation:

- For fiscal 2012, the Company reported net earnings per diluted share of \$4.56 (\$1.038 billion), a 12% increase over fiscal 2011, on net sales of \$10.915 billion.
- As of March 2, 2013, at the end of the fiscal year during which approximately \$643 million was utilized in strategic acquisitions, approximately \$1.0 billion was returned to shareholders through share repurchases and \$315 million was invested in capital expenditures, the Company's balance sheet included approximately \$1.1 billion of cash and cash equivalents and investment securities.
- Since the initial public offering of its common stock in 1992 through the end of fiscal 2012, the Company's stock price has increased at an average annual rate of 20.9%.

In making its determinations regarding executive compensation for fiscal 2012, the Compensation Committee solicited input from the Co-Chairmen when considering decisions concerning the compensation of the Chief Executive Officer, and input from the Co-Chairmen and the Chief Executive Officer when considering decisions concerning the compensation of the other named executive officers and any other executive whose compensation the Compensation Committee determines. The Committee generally accepted the recommendations of the Co-Chairmen, who are the Co-Founders of the Company, who have been continuously involved in the affairs of the Company since its organization in 1971, and who continue to have substantial interests as shareholders.



Based on the recommendations and data from James F. Reda & Associates, a division of Gallagher Benefit Services, Inc. ( JFR ), the independent compensation consultant retained by the Compensation Committee, and other factors, and in light of the Company's strong financial results for fiscal 2011 (as described above), and the growth in the size and scope of the Company, the Compensation Committee determined that the named executive officers of the Company should receive the total compensation packages for fiscal 2012, as further described below.

### **Compensation Philosophy and Objectives**

The Compensation Committee has developed and implemented compensation policies, plans and programs to provide competitive compensation opportunities to the executives whose compensation is determined by the Compensation Committee. The Compensation Committee considers the total compensation package (earned or potentially available, including benefits) in establishing each element of compensation.

The policies, plans and programs are designed to meet the following objectives:

- Retain the executives who are part of the Company's executive team and attract highly qualified executives when new executives are required
  
- Be competitive with other major U.S. peer retail companies
  
- Reward corporate and individual performance
  
- Align the interests of executives and shareholders
  
- Promote the balance of annual and long-term results

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

### **Role of the Compensation Committee**

The Compensation Committee provides overall guidance for the Company's executive compensation policies and determines the amounts and elements of compensation for its named executive officers as well as for certain other key executives. No executive is present during voting or deliberations with respect to matters relating to such executive's compensation. The Compensation Committee charter, which describes the

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Compensation Committee's function, responsibilities and duties, is available on our website at [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com) under the Investor Relations section.

The Compensation Committee consists of three members of our Board of Directors, all of whom are independent as defined by the NASDAQ listing standards and the applicable tax and securities rules and regulations. The Compensation Committee members during fiscal 2012 were Ms. Morrison and Messrs. Adler and Eppler. In fiscal 2013, Mr. Barshay replaced Mr. Eppler on this committee. The Compensation Committee meets on a regular basis for various reasons as outlined in its charter.

#### **Use of Outside Advisors**

In making its determinations with respect to executive compensation, the Compensation Committee has periodically engaged the services of compensation consultants. The Compensation Committee has the authority to retain, terminate and set the terms of the Company's relationship with any consultants and other outside advisors who assist the Compensation Committee in carrying out its responsibilities. In connection with making its determinations regarding executive compensation for fiscal 2012 and for several prior years, the Compensation Committee retained JFR to conduct a compensation review for the named executive officers and certain other executives. JFR has not served the Company in any capacity except as consultants to the Compensation Committee. The Compensation Committee also receives 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 JFR and Chadbourne & Parke LLP pursuant to the SEC rules and concluded that no conflict of interest exists that will prevent them from being independent consultants to the Compensation Committee.

#### **Methodology**

Under the direction of the Compensation Committee, the compensation review in each year included a peer group competitive market review and total compensation recommendations by JFR. The peer group developed by JFR upon which it based its recommendations for fiscal 2010 and 2011 consisted of 18 companies that included direct competitors and retailing companies with a chairman among its named executive officers, who is also a founder. For fiscal 2012, JFR developed and recommended a revised peer group consisting of 23 companies. The revised peer group consists of companies of a size range based on revenue more closely aligned with the Company's revenue. Four companies were removed from the prior 18 company group and nine companies of similar size to the Company were added, all of them in the retail industry. The 23 company peer group consists of the following companies:

Advance Auto Parts, Inc.

AutoZone, Inc.

Barnes & Noble, Inc.

Dicks Sporting Goods, Inc.

Dillards, Inc.

DSW Inc.

Family Dollar Stores, Inc.

Foot Locker, Inc.

GameStop Corp.

The Gap Inc.

Kohl's Corporation

Limited Brands, Inc.

Macy's, Inc.

Nordstrom, Inc.

O'Reilly Automotive, Inc.

J.C. Penny Company, Inc.

PetSmart, Inc.

Pier 1 Imports, Inc.

Ross Stores, Inc.

Saks Incorporated

Starbucks Corporation

The TJX Companies, Inc.

Williams-Sonoma, Inc.

The four companies removed from the prior peer group as not within the Company's size range are:

The Bon-Ton Stores Inc.

The Jones Group Inc.

Stein Mart, Inc.

Target Corporation

The methodology used by JFR also included reviewing available data based on the Company's industry, revenue size and financial performance. The peer group analyses prepared by JFR used public company proxy statements, third party industry compensation surveys and other publicly available information. The revision and expansion of the peer group from the peer group used in the prior years did not result in an increase of the percentile rank of the compensation approved for fiscal 2012 compared to the percentile rank if the 18 company peer group had been applied.

The compensation approved by the Compensation Committee for each of Messrs. Eisenberg, Feinstein and Temares for fiscal 2012 was determined by the Compensation Committee taking into account recommendations of and certain data received from JFR and, in the case of Mr. Temares, the recommendations of the Co-Chairmen. The compensation approved by the Compensation Committee for the named executive officers, other than the Co-Chairmen and Mr. Temares, for fiscal 2012 was determined by the Compensation Committee, taking into account the recommendations of the Co-Chairmen, Chief Executive Officer and JFR and certain data the Compensation Committee requested from JFR.

In making its determinations for fiscal 2012, the Compensation Committee engaged JFR to conduct a compensation review for all executive officers, including the named executive officers and for certain other executives. Under the direction of the Compensation Committee and in connection with this review, JFR benchmarked the named executive officers' total compensation and separately their cash compensation against data from the 23 company peer group. As previously noted, JFR also benchmarked the named executive officers' total compensation and separately cash compensation, against data from the 18 company peer group. In light of the Company's continued strong financial results for fiscal 2011, and the growth and increasing complexity of the Company's operations, the Compensation Committee determined, early in fiscal 2012, that all of the executive officers of the Company, other than the Co-Chairmen, should receive increases in their total compensation packages for fiscal 2012.



## **Elements of Compensation**

The Company seeks to provide total compensation packages to its associates, including its named executive officers, which implement its compensation philosophy. The components of the Company's compensation programs are base salary, equity compensation (consisting of stock options and restricted stock awards), retirement and other benefits (consisting of health plans, a limited 401(k) plan match and a nonqualified deferred compensation plan) and perquisites. 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. The Company does not have a cash bonus program for executive officers.

### ***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 effective in May of each fiscal year. The Company believes that cash compensation levels for its named executive officers are within or below market range as the Company places greater emphasis on equity compensation.

### ***Equity Compensation***

The Company's overall approach to equity compensation is to make equity awards comprised of a combination of stock options and performance-based restricted stock to all executive officers, including the named executive officers, and a small number of other executives. The Company's allocation between these two forms of equity awards considers the retention component and the role of the executive in the enhancement of shareholder value. For the named executive officers other than the Chief Executive Officer and the Co-Chairmen, the allocation is more weighted toward performance-based restricted stock in light of this retention component, yet provides a grant of stock options recognizing the role of these executives in the enhancement of shareholder value. For the Co-Chairmen, the allocation reflects that each of them owns in excess of 1% of the outstanding common stock of the Company. For the Chief Executive Officer, the more even allocation of equity awards between performance-based restricted stock and stock options is based on the view that stock options reward executives more directly for enhancing shareholder value and, therefore, as the executive primarily responsible for that enhancement, the Chief Executive Officer should have a greater proportion of his equity awards allocated to stock options as compared to the other executive officers. These grants are made on May 10 of each year (or the following trading day should such date fall on a weekend or holiday). The vesting provisions relating to equity compensation have been and continue to be determined with the principal purpose of retaining the Company's executives and key associates. The Company believes its equity compensation policies have been highly successful in the long term retention of its executives and key associates, including its named executive officers.

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 employ on specified vesting dates. Vesting of the restricted stock awarded to these named executive officers is dependent on (i) the Company's achievement of a performance-based test for the fiscal year in which the grant is made, and (ii) assuming achievement of the performance-based test, time vesting, subject, in general, to the executive remaining in the Company's employ on the specified vesting dates.

The performance-based test requires that the Company's net income in the fiscal year is greater than or equal to the Company's net income in the prior fiscal year or that the Company's net income as a percentage of sales place it in the top half of the companies in the S&P 500 Retailing Index with respect to such measurement. Net income may be adjusted for such purpose to reflect items, such as: (i) mergers, acquisitions, consolidations or dispositions, (ii) changes in accounting methods, (iii) extraordinary items, as defined in Accounting Standards Codification Topic No. 225, Income Statement, and (iv) funds deployed for stock repurchase or dividend activity, to the extent permitted by Section 162(m) of the Code. The Company believes that this performance-based test meets the standard for performance-based compensation under Section 162(m) (Section 162(m)) of the Internal Revenue Code of 1986, as amended (the Code), so that the restricted stock awards will 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. In addition, even if the performance-based test is met, the executive must remain in the Company's employ for an extended period in order to earn the restricted stock, further aligning the executive's interest with the long-term interests of the Company.

For each of fiscal 2012 and fiscal 2011, the performance-based test was satisfied in that the Company's net income exceeded the Company's net income for the prior fiscal year.

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.

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. Making stock option awards in dollars 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).

All awards of restricted stock and stock options are made under the Company's 2012 Incentive Compensation Plan (formerly known as the 2004 Incentive Compensation Plan), approved by the Company's shareholders (the performance goals under such plan having been re-approved in 2012), which is the only equity incentive plan under which the Company can currently make awards of equity compensation.

### Senior Executive Compensation

In addition to considering the Company's compensation policies generally, the Compensation Committee reviews executive compensation and concentrates on the compensation packages for the Company's senior executive officers, namely, the Co-Chairmen (Warren Eisenberg and Leonard Feinstein, who are the Company's Co-Founders) and the Chief Executive Officer (Steven H. Temares), believing that these three named executive officers are the most important and influential in determining the continued success of the Company. The Company has enjoyed considerable success in the years it has been a public company, and in both fiscal 2011 and fiscal 2012 achieved strong financial results.

Fiscal 2012 executive compensation decisions were made effective May 10, 2012, before the advisory vote on executive compensation took place at the 2012 annual meeting of shareholders held on June 22, 2012. At that meeting, approximately 94% of votes cast approved the compensation paid to the Company's named executive officers. The Compensation Committee evaluated these results and concluded that this vote reflects the stockholders' support of the Company's approach to executive compensation. Accordingly, in 2012, the Company did not change its approach to executive compensation or make any significant changes to its executive compensation program based on stockholder feedback. The Compensation Committee expects to continue to consider the outcome of the Company's say-on-pay votes and other shareholder discussions when making future executive compensation decisions.

For fiscal 2012, the base salaries for the Co-Chairmen remained at \$1,100,000, the same as they were for the prior six fiscal years. For fiscal 2012, the base salary for Mr. Temares increased by \$450,000 to \$3,450,000. The Compensation Committee determined that Mr. Temares' base salary increase was warranted based on the Company's strong financial performance and Mr. Temares' strong individual performance. According to the analysis prepared by JFR, Mr. Temares' increased base salary for fiscal 2012 was at the 76th percentile of the total cash compensation of the 23-company peer group.

For fiscal 2012, the base salary for Mr. Stark increased by \$100,000 and the base salary for Mr. Castagna increased by \$100,000. The Compensation Committee determined that these increases were warranted based on the Company's growth and strong financial results in 2011 and based on the results and recommendations of JFR's compensation review discussed above.

The aggregate equity awards to Mr. Temares for fiscal 2012 increased from fiscal 2011 by \$1,525,000 to \$11,750,000, with the increase comprised of \$750,000 in stock options and \$775,000 in performance-based restricted stock. Of the total of \$11,750,000 of equity awards to Mr. Temares for fiscal 2012, \$6,000,000 consisted of performance-based restricted stock (based on the market value of the Company's common stock on the date of grant) and \$5,750,000 consisted of stock options (based on the Stock Option Fair Value). Thus, approximately 75% of Mr. Temares' total compensation for fiscal 2012 is dependent on Company performance or increase in shareholder value and vests over a five year period.

The equity awards to Messrs. Eisenberg and Feinstein for fiscal 2012 remained unchanged from fiscal 2011 at \$2,000,000 for each such executive, comprised of \$1,500,000 of performance-based restricted stock and \$500,000 of stock options (valued on the same basis as Mr. Temares awards).

The aggregate equity awards to each of Mr. Stark and Mr. Castagna for fiscal 2012 increased from 2011 by \$100,000, with the increase comprised of performance-based restricted stock.

In the view of the Compensation Committee, the base salary, stock option grants, and performance-based restricted stock awards constitute compensation packages for the Chief Executive Officer and for the Co-Chairmen, as well as the other named executive officers, which are appropriate for a company with the revenues and earnings of the Company. The stock options granted to the Chief Executive Officer vest in five equal annual installments, while the stock options awarded to the Co-Chairmen vest in three equal annual installments, in each case commencing on the first anniversary of the grant date and based on continued service to the Company. The restricted stock awards to each such executive are conditioned on the performance-based test described above with time vesting in five equal annual installments, in each case commencing on the first anniversary of the grant date and based on continued service to the Company.

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

#### **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. 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.

### **Impact of Accounting and Tax Considerations**

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

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

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

### **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 is 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 2012 for filing with the SEC.

The foregoing report is provided by the following directors, who constitute the fiscal year 2012 Compensation Committee:

COMPENSATION COMMITTEE  
Dean S. Adler  
Klaus Eppler  
Victoria A. Morrison

## SUMMARY COMPENSATION TABLE FOR FISCAL 2012, FISCAL 2011 AND FISCAL 2010

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)<br>(\$) | Stock Awards(3)(4)<br>(\$) | Option Awards(3)<br>(\$) | Change in Pension Value and Nonqualified Deferred Compensation Earnings<br>(\$) | All Other Compensation<br>(\$) | Total<br>(\$) |
|--|-------------|----------------------|----------------------------|--------------------------|---|--------------------------------|---------------|
| Warren Eisenberg(5)(6)<br><i>Co-Chairman</i>                               | 2012        | 1,142,308            | 1,500,033                  | 499,991                  |   | 136,688                        | 3,279,020     |
|  | 2011        | 1,100,000            | 1,500,027                  | 500,000                  |   | 115,564                        | 3,215,591     |
|  | 2010        | 1,100,000            | 1,500,007                  | 500,008                  |   | 80,072                         | 3,180,087     |
| Leonard Feinstein(7)(8)<br><i>Co-Chairman</i>                              | 2012        | 1,142,308            | 1,500,033                  | 499,991                  |   | 145,025                        | 3,287,357     |
|  | 2011        | 1,100,000            | 1,500,027                  | 500,000                  |   | 123,264                        | 3,223,291     |
|  | 2010        | 1,100,000            | 1,500,007                  | 500,008                  |   | 146,326                        | 3,246,341     |
| Steven H. Temares(9)(10)(11)<br><i>Chief Executive Officer</i>             | 2012        | 3,478,846            | 5,999,994                  | 5,749,992                | 684,106   | 22,211                         | 15,935,149    |
|  | 2011        | 2,894,231            | 5,225,036                  | 5,000,003                | 790,392   | 17,572                         | 13,927,234    |
|  | 2010        | 2,288,462            | 4,500,022                  | 4,500,007                | 4,179,870   | 15,052                         | 15,483,413    |
| Arthur Stark(12)(13)<br><i>President and Chief Merchandising Officer</i>   | 2012        | 1,513,847            | 1,350,016                  | 600,003                  |   | 12,262                         | 3,476,128     |
|  | 2011        | 1,353,558            | 1,250,004                  | 600,000                  |   | 9,729                          | 3,213,291     |
|  | 2010        | 1,212,692            | 1,250,006                  | 547,322                  |   | 196,713                        | 3,206,733     |
| Eugene A. Castagna(14)(15)<br><i>Chief Financial Officer and Treasurer</i> | 2012        | 1,326,923            | 1,100,010                  | 600,003                  |   | 13,782                         | 3,040,718     |
|  | 2011        | 1,166,154            | 1,000,037                  | 600,000                  |   | 15,395                         | 2,781,586     |
|  | 2010        | 997,692              | 1,000,005                  | 547,322                  |   | 18,355                         | 2,563,374     |

(1) 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.

(2) Except as otherwise described in this Summary Compensation Table, salaries to named executive officers were paid in cash in fiscal 2012, fiscal 2011 and fiscal 2010, and increases in salary, if any, were effective in May of the fiscal year.

(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 2012. 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 Company's accounting expense and do not necessarily reflect the actual value, if any, that may be realized by the named executive officers.

(4) The vesting of restricted stock awards 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 employ on specific vesting dates. The performance-based tests for fiscal years 2012, 2011 and 2010 were met. The fair value of the performance-based stock awards are reported above at 100% of target, their maximum value assuming the highest level of performance.

(5) Salary for Mr. Eisenberg includes a deferral of \$317,308, \$275,000 and \$275,000 for fiscal 2012, 2011 and 2010, respectively, pursuant to the terms of the Company's Nonqualified Deferred Compensation Plan. Such amount for fiscal 2012 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 \$29,825, \$25,063 and \$23,822, car service of \$74,906, \$59,740 and \$28,140 and car allowance of \$24,457, \$23,411 and \$20,760, and an employer nonqualified deferred compensation plan matching contribution of \$7,500, \$7,350 and \$7,350, for fiscal 2012, 2011 and 2010, respectively.

(7) Salary for Mr. Feinstein includes a deferral of \$317,308, \$275,000 and \$275,000 for fiscal 2012, 2011 and 2010, respectively, pursuant to the terms of the Company's Nonqualified Deferred Compensation Plan. Such amount for fiscal 2012 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 \$29,825, \$25,063 and \$23,822, car service of \$80,492, \$62,400 and \$88,840 and car allowance of \$27,208, \$28,451 and \$26,314, and an employer nonqualified deferred compensation plan matching contribution of \$7,500, \$7,350 and \$7,350, for fiscal 2012, 2011 and 2010, respectively.

(9) Salary for Mr. Temares includes a deferral of \$30,923, \$26,615 and \$26,000 for fiscal 2012, 2011 and 2010, respectively, pursuant to the terms of the Company's Nonqualified Deferred Compensation Plan. Such amount for fiscal 2012 is also reported in the Nonqualified Deferred Compensation Table below.

(10) The change in pension value for fiscal 2012 and 2011 is an increase in the actuarial present value of the benefits payable under the supplemental executive retirement benefit agreement with Mr. Temares, which is discussed more fully below. The change in pension value for fiscal 2010 is the result of Mr. Temares' increase in base salary for fiscal 2010, which followed a year (fiscal 2009) in which he received no salary increase. There was no cash payment as a result of this increase. See also Potential Payments Upon Termination or Change in Control Messrs. Temares, Castagna and Stark below.





(11) All Other Compensation for Mr. Temares includes incremental costs to the Company for car allowance of \$14,702, \$10,225 and \$7,703 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of \$7,509, \$7,347 and \$7,349, for fiscal 2012, 2011 and 2010, respectively.

(12) Salary for Mr. Stark includes a deferral of \$10,154, \$10,000 and \$10,000 for fiscal 2012, 2011 and 2010 pursuant to the terms of the Company's Nonqualified Deferred Compensation Plan. Such amount for fiscal 2012 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 \$4,757, \$2,383 and \$3,450 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of \$7,505, \$7,346 and \$7,347, for fiscal 2012, 2011 and 2010, respectively. Additionally, during fiscal 2010, the Compensation Committee determined to pay Mr. Stark \$185,916 in connection with the resolution of certain state tax withholding issues, including professional fees incurred in connection with the resolution of these issues, for the years 2004-2006.

(14) Salary for Mr. Castagna includes a deferral of \$127,692, \$136,246 and \$111,346 for fiscal 2012, 2011 and 2010, respectively, pursuant to the terms of the Company's Nonqualified Deferred Compensation Plan. Such amount for fiscal 2012 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 \$6,280, \$8,046 and \$11,006 and employer 401(k) plan and nonqualified deferred compensation plan matching contributions of \$7,502, \$7,349 and \$7,349, for fiscal 2012, 2011 and 2010, respectively.

**EMPLOYMENT AGREEMENTS AND POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

**Employment Agreements**

*Messrs. Eisenberg and Feinstein*

Messrs. Eisenberg and Feinstein have employment agreements with the Company with terms currently expiring June 30, 2013, 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 and Castagna*

Messrs. Temares, Stark and Castagna 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 and Castagna 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 confidentiality during the term of employment and surviving the end of the term of employment.

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

The named executive officers' 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 the 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 March 2, 2013, the last day of fiscal 2012 and a price per share of common stock of \$56.93 (the Per Share Closing Price), the closing per share price as of March 1, 2013, the last business day of fiscal 2012. 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 upon a change in control.

Under the agreements, if Messrs. Eisenberg and Feinstein are terminated without cause (as defined below) or if the executive is removed from or not reelected to any officer or director position prior to his Senior Status Period (or any officer position during his Senior Status Period), there is a material diminution in the executive's salary, benefits or perquisites or, prior to his Senior Status Period, there is a material diminution in the executive's duties or the Company's principal office or the executive's own office location as assigned to him by the Company is relocated and the executive elects to terminate his employment, the executive shall be paid through the end of the term of employment and the Senior Status Period. Following a change in control of the Company (as defined in the agreements), each of the executives may, at his option, upon 90 days written notice, terminate employment and 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 were amended effective as of August 13, 2010 to 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 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 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. In addition, pursuant to their respective restricted stock agreements, shares of restricted stock granted to Messrs. Eisenberg and Feinstein will vest upon death, disability, termination of employment without cause or constructive termination, and for restricted stock awards granted since fiscal 2009, vesting upon termination without cause or constructive termination will be subject to attainment of 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 and Castagna***

The agreements with Messrs. Temares and Stark provide for severance pay equal to three years' salary, and the agreement with Mr. Castagna provides 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) and 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 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, commensurate with his titles and duties; (iii) performed his 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 agreements, shares of restricted stock granted to Messrs. Temares, Stark and Castagna will vest upon death, disability or termination of employment without cause, and for restricted stock awards granted since fiscal 2009, vesting upon termination without cause will be subject to 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 confidentiality during the term of employment and surviving the end of the term of employment.

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

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

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|   | Cash Severance | Senior Status Salary Continuation(3) | Option Acceleration(4) | Restricted Stock Acceleration(4) | Benefit Continuation(5) | Nonqualified Deferred Compensation Balance(6) | Supplemental Pension(7) | Split-Dollar Life Insurance Substitute Payment(8) | Total         |
|---|----------------|--------------------------------------|------------------------|----------------------------------|-------------------------|---|-------------------------|---|---------------|
| <b>Warren Eisenberg(9)</b>                    |                |                                      |                        |                                  |                         |   |                         |   |               |
| Termination Without Cause/ Constructive       |                |                                      |                        |                                  |                         |   |                         |   |               |
| Termination(1)(2)                             | \$ 364,658     | \$ 5,547,385                         | \$                     | \$ 5,889,295                     | \$ 1,377,273            | \$ 1,659,072                                  | \$ 823,510              | \$ 2,125,000                                      | \$ 17,786,193 |
| Change in Control (No Termination)            | \$             | \$                                   | \$                     | \$                               | \$                      | \$  | \$                      | \$  | \$            |
| Change in Control + Termination(1)            | \$ 364,658     | \$ 5,547,385                         | \$                     | \$ 5,889,295                     | \$ 1,377,273            | \$ 1,659,072                                  | \$ 823,510              | \$ 2,125,000                                      | \$ 17,786,193 |
| Change in Control + Voluntary Termination(10) | \$ 3,300,000   | \$                                   | \$                     | \$                               | \$ 1,377,273            | \$ 1,659,072                                  | \$ 2,449,225            | \$ 2,125,000                                      | \$ 10,910,570 |
| <b>Leonard Feinstein(9)</b>                   |                |                                      |                        |                                  |                         |   |                         |   |               |
| Termination Without Cause/ Constructive       |                |                                      |                        |                                  |                         |   |                         |   |               |
| Termination(1)(2)                             | \$ 364,658     | \$ 5,547,385                         | \$                     | \$ 5,889,295                     | \$ 1,743,015            | \$ 1,660,196                                  | \$ 1,414,858            | \$ 2,080,000                                      | \$ 18,699,407 |
| Change in Control (No Termination)            | \$             | \$                                   | \$                     | \$                               | \$                      | \$  | \$                      | \$  | \$            |
| Change in Control + Termination(1)            | \$ 364,658     | \$ 5,547,385                         | \$                     | \$ 5,889,295                     | \$ 1,743,015            | \$ 1,660,196                                  | \$ 1,414,858            | \$ 2,080,000                                      | \$ 18,699,407 |
| Change in Control + Voluntary Termination(10) | \$ 3,300,000   | \$                                   | \$                     | \$                               | \$ 1,743,015            | \$ 1,660,196                                  | \$ 3,203,482            | \$ 2,080,000                                      | \$ 11,986,693 |
| <b>Steven H. Temares(11)</b>                  |                |                                      |                        |                                  |                         |   |                         |   |               |
| Termination Without Cause(10)                 | \$ 10,350,000  | \$                                   | \$ 7,197,744           | \$ 16,237,802                    | \$                      | \$ 211,228                                    | \$ 17,069,635           | \$  | \$ 51,066,409 |
| Voluntary Termination(12)                     | \$ 3,450,000   | \$                                   | \$                     | \$                               | \$                      | \$ 211,228                                    | \$ 17,069,635           | \$  | \$ 20,730,863 |
| Change in Control (No Termination)            | \$             | \$                                   | \$                     | \$                               | \$                      | \$  | \$                      | \$  | \$            |
| Change in Control + Termination(10)           | \$ 10,350,000  | \$                                   | \$ 7,197,744           | \$ 16,237,802                    | \$                      | \$ 211,228                                    | \$ 17,069,635           | \$  | \$ 51,066,409 |
| <b>Arthur Stark(13)</b>                       |                |                                      |                        |                                  |                         |   |                         |   |               |
| Termination Without Cause(10)                 | \$ 4,440,000   | \$                                   | \$ 2,107,196           | \$ 7,378,868                     | \$                      | \$ 700,392                                    | \$                      | \$  | \$ 14,626,456 |
| Voluntary Termination(12)                     | \$ 1,480,000   | \$                                   | \$                     | \$                               | \$                      | \$ 700,392                                    | \$                      | \$  | \$ 2,180,392  |
| Change in Control (No Termination)            | \$             | \$                                   | \$                     | \$                               | \$                      | \$  | \$                      | \$  | \$            |
| Change in Control + Termination(10)           | \$ 4,440,000   | \$                                   | \$ 2,107,196           | \$ 7,378,868                     | \$                      | \$ 700,392                                    | \$                      | \$  | \$ 14,626,456 |
| <b>Eugene A. Castagna(14)</b>                 |                |                                      |                        |                                  |                         |   |                         |   |               |
| Termination Without Cause(12)                 | \$ 1,300,000   | \$                                   | \$ 2,107,196           | \$ 5,759,608                     | \$                      | \$ 781,156                                    | \$                      | \$  | \$ 9,947,960  |
| Voluntary Termination(12)                     | \$ 1,300,000   | \$                                   | \$                     | \$                               | \$                      | \$ 781,156                                    | \$                      | \$  | \$ 2,081,156  |
|   | \$             | \$                                   | \$                     | \$                               | \$                      | \$  | \$                      | \$  | \$            |

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Change in Control  
(No Termination)

Change in Control +

|                 |              |    |           |    |           |    |         |    |           |
|-----------------|--------------|----|-----------|----|-----------|----|---------|----|-----------|
| Termination(12) | \$ 1,300,000 | \$ | 2,107,196 | \$ | 5,759,608 | \$ | 781,156 | \$ | 9,947,960 |
|-----------------|--------------|----|-----------|----|-----------|----|---------|----|-----------|



- 
- (1) Cash severance represents current salary continuation through June 30, 2013.
- (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, 2012 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 March 2, 2013. 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 estimated present value of continued health and welfare benefits and other perquisites for the life of the executive and his spouse.
- (6) Reflects executives' vested account balances as of March 2, 2013.
- (7) 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, except in the case of a voluntary termination following a change in control, when such payments would commence after the cash severance has been paid. 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.
- (8) This amount will be paid on the last day of the following fiscal year.
- (9) 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 March 2, 2013.

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- (10) Cash severance represents three times current salary payable over a period of three years.
- (11) 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 .
- (12) Cash severance represents one times current salary payable over a period of one year.
- (13) In the event of a termination of employment due to death or disability, Mr. Stark (or his estate) will receive the same payments as if there was a Termination Without Cause .
- (14) In the event of a termination of employment due to death or disability, Mr. Castagna (or his estate) will receive the same payments as if there was a Termination Without Cause .

## GRANTS OF PLAN BASED AWARDS

## Grants of Stock Options and Restricted Stock Awards for Fiscal 2012

The following table sets forth information with respect to stock options granted and restricted stock awarded during fiscal 2012 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 2012.

| Name               | Grant Date | All Other Stock Awards: Number of Shares of Stock or Units(1)<br>(#) | All Other Option Awards: Number of Securities Underlying Options(1)<br>(#) | Exercise or Base Price of Option Awards(2)<br>(\$/Sh) | Closing Market Price on Date of Grant<br>(\$/Sh) | Grant Date Fair Value of Stock and Option Awards(3)<br>(\$) |
|--------------------|------------|--|--|---|--|---|
| Warren Eisenberg   | 5/10/12    | 21,768   | 21,682   | \$ 68.910   | \$ 68.75   | \$ 2,000,024  |
| Leonard Feinstein  | 5/10/12    | 21,768   | 21,682   | \$ 68.910   | \$ 68.75   | \$ 2,000,024  |
| Steven H. Temares  | 5/10/12    | 87,070   | 249,347  | \$ 68.910   | \$ 68.75   | \$ 11,749,986   |
| Arthur Stark       | 5/10/12    | 19,591   | 26,019   | \$ 68.910   | \$ 68.75   | \$ 1,950,019  |
| Eugene A. Castagna | 5/10/12    | 15,963   | 26,019   | \$ 68.910   | \$ 68.75   | \$ 1,700,013  |

(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 option awards are valued in accordance with ASC 718. See footnote 3 to the Summary Compensation Table in this Proxy Statement.

Vesting of restricted stock awards 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 employ on specific vesting dates. The performance-based test for fiscal 2012 was met. The performance test is designed to meet the standard for performance-based compensation under the Code, so that restricted stock awards will be deductible compensation for certain executives if their annual compensation exceeds \$1,000,000. The stock awards granted in fiscal 2012 to Messrs. Eisenberg, Feinstein and Temares time vest in five equal installments starting on the first anniversary of the grant date. The stock awards granted in fiscal 2012 to Messrs. Stark and Castagna time vest in five equal installments starting on the third anniversary of the grant date.

Vesting of stock option awards depends on time vesting, subject in general to the executive remaining in the Company's employ on specific vesting dates. The options granted in fiscal 2012 to Messrs. Eisenberg and Feinstein vest in three equal installments starting on the first

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anniversary of the grant date. The options granted in fiscal 2012 to Messrs. Temares, Stark and Castagna 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.

## 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 and unvested restricted stock awards as of March 2, 2013, the end of fiscal 2012.

| Name               | Number of Securities Underlying Unexercised Options (#)<br>Exercisable | Option Awards  |  | Option Exercise Price (\$) | Option Expiration Date | Stock Awards  |  |
|--------------------|--|--|--|----------------------------|------------------------|---|--|
|                    |  | Number of Securities Underlying Unexercised Options (#)<br>Unexercisable |  |                            |                        | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (2) (\$) |
| Warren Eisenberg   | 100,000  |  |  | \$ 38.5150                 | 4/17/14                | 103,448(6)  | \$ 5,889,295   |
|                    | 100,000  |  |  | \$ 41.1150                 | 5/10/15                |   |  |
|                    | 81,367   |  |  | \$ 32.8700                 | 5/12/16                |   |  |
|                    | 84,603   |  |  | \$ 28.3300                 | 5/11/17                |   |  |
|                    | 19,551   | 9,775(3)   |  | \$ 45.2000                 | 5/10/18                |   |  |
|                    | 8,480  | 16,960(3)  |  | \$ 56.1850                 | 5/10/19                |   |  |
|                    |  | 21,682(3)  |  | \$ 68.9100                 | 5/10/20                |   |  |
| Leonard Feinstein  | 100,000  |  |  | \$ 38.5150                 | 4/17/14                | 103,448(6)  | \$ 5,889,295   |
|                    | 100,000  |  |  | \$ 41.1150                 | 5/10/15                |   |  |
|                    | 81,367   |  |  | \$ 32.8700                 | 5/12/16                |   |  |
|                    | 84,603   |  |  | \$ 28.3300                 | 5/11/17                |   |  |
|                    | 19,551   | 9,775(3)   |  | \$ 45.2000                 | 5/10/18                |   |  |
|                    | 8,480  | 16,960(3)  |  | \$ 56.1850                 | 5/10/19                |   |  |
|                    |  | 21,682(3)  |  | \$ 68.9100                 | 5/10/20                |   |  |
| Steven H. Temares  | 300,000(10)  |  |  | \$ 41.3450                 | 3/03/14                | 285,224(7)  | \$ 16,237,802  |
|                    | 259,886(1)   |  |  | \$ 38.7650                 | 4/25/13                |   |  |
|                    | 200,000(10)  |  |  | \$ 38.5150                 | 4/17/14                |   |  |
|                    | 200,000  |  |  | \$ 41.1150                 | 5/10/15                |   |  |
|                    | 299,430(10)  | 74,858(4)  |  | \$ 32.8700                 | 5/12/16                |   |  |
|                    | 177,665  | 118,444(4)   |  | \$ 28.3300                 | 5/11/17                |   |  |
|                    | 105,572  | 158,358(4)   |  | \$ 45.2000                 | 5/10/18                |   |  |
|                    | 50,880   | 203,520(4)   |  | \$ 56.1850                 | 5/10/19                |   |  |
|                    |  | 249,347(4)   |  | \$ 68.9100                 | 5/10/20                |   |  |
| Arthur Stark       | 5,000  | 5,000(5)   |  | \$ 38.7950                 | 4/17/14                | 129,613(8)  | \$ 7,378,868   |
|                    | 5,000  | 10,000(5)  |  | \$ 41.1150                 | 5/10/15                |   |  |
|                    | 8,206  | 24,618(5)  |  | \$ 32.8700                 | 5/12/16                |   |  |
|                    | 8,932  | 35,732(5)  |  | \$ 28.3300                 | 5/11/17                |   |  |
|                    | 12,840   | 19,261(5)  |  | \$ 45.2000                 | 5/10/18                |   |  |
|                    | 6,105  | 24,423(5)  |  | \$ 56.1850                 | 5/10/19                |   |  |
|                    |  | 26,019(5)  |  | \$ 68.9100                 | 5/10/20                |   |  |
| Eugene A. Castagna | 100,000  |  |  | \$ 41.3450                 | 3/03/14                | 101,170(9)  | \$ 5,759,608   |
|                    | 20,000   | 5,000(5)   |  | \$ 38.7950                 | 4/17/14                |   |  |
|                    | 15,000   | 10,000(5)  |  | \$ 41.1150                 | 5/10/15                |   |  |

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|        |           |    |         |         |
|--------|-----------|----|---------|---------|
| 16,411 | 24,618(5) | \$ | 32.8700 | 5/12/16 |
| 8,932  | 35,732(5) | \$ | 28.3300 | 5/11/17 |
| 12,840 | 19,261(5) | \$ | 45.2000 | 5/10/18 |
| 6,105  | 24,423(5) | \$ | 56.1850 | 5/10/19 |
|        | 26,019(5) | \$ | 68.9100 | 5/10/20 |

- 
- (1) These options represent a portion of Mr. Temares' April 25, 2003 grant, the exercise price of which was increased in order to comply with Section 409A of the Code following the Company's 2006 review of its equity grants and procedures.
  - (2) Market value is based on the closing price of the Company's common stock of \$56.93 per share on March 1, 2013, the last trading day in fiscal 2012.
  - (3) Messrs. Eisenberg and Feinstein's unvested option awards are scheduled to vest as follows: (a) 9,775 on May 10, 2013, (b) 8,480 on each of May 10, 2013 and 2014, and (c) 7,228 on May 10, 2013 and 7,227 on each of May 10, 2014 and 2015.
  - (4) Mr. Temares' unvested option awards are scheduled to vest as follows: (a) 74,858 on May 12, 2013, (b) 59,222 on each of May 11, 2013 and 2014, (c) 52,786 on each of May 10, 2013, 2014 and 2015, (d) 50,880 on each of May 10, 2013, 2014, 2015 and 2016, and (e) 49,869 on each of May 10, 2013, 2014 and 2016 and 49,870 on each of May 10, 2015 and 2017.
  - (5) Messrs. Stark and Castagna's unvested option awards are scheduled to vest as follows: (a) 5,000 on April 17, 2013, (b) 5,000 on each of May 10, 2013 and 2014, (c) 8,206 on each of May 12, 2013, 2014 and 2015, (d) 8,933 on each of May 11, 2013, 2014, 2015 and 2016, (e) 6,420 on each of May 10, 2013 and 2014 and 6,421 on May 10, 2015, (f) 6,106 on each of May 10, 2013, 2015 and 2016 and 6,105 on May 10, 2014, and (g) 5,203 on May 10, 2013 and 5,204 on each of May 10, 2014, 2015, 2016 and 2017.
  - (6) Messrs. Eisenberg and Feinstein's unvested stock awards are scheduled to vest as follows: (a) 12,170 on May 12, 2013, (b) 14,119 on May 11, 2013 and 14,120 on May 11, 2014, (c) 6,637 on each of May 10, 2013 and 2014 and 6,638 on May 10, 2015, (d) 5,340 on each of May 10, 2013, 2015 and 2016 and 5,339 on May 10, 2014, and (e) based on the Company's achievement of a performance-based test for the fiscal year of the grant, 4,353 on each of May 10, 2013 and 2015, and 4,354 on each of May 10, 2014, 2016 and 2017.
  - (7) Mr. Temares' unvested stock awards are scheduled to vest as follows: (a) 14,603 on May 12, 2013, (b) 24,709 on each of May 11, 2013 and 2014, (c) 19,911 on May 10, 2013 and 19,912 on each of May 10, 2014 and 2015, (d) 18,599 on each of May 10, 2013 and 2015 and 18,600 on each of May 10, 2014 and 2016, and (e) based on the Company's achievement of a performance-based test for the fiscal year of the grant, 17,414 on each of May 10, 2013, 2014, 2015, 2016 and 2017.
  - (8) Mr. Stark's unvested stock awards are scheduled to vest as follows: (a) 3,895 on April 17, 2013, (b) 4,865 on each of May 10, 2013 and 2014, (c) 6,084 on May 12, 2013 and 6,085 on each of May 12, 2014 and 2015, (d) 7,060 on each of May 11, 2013, 2014, 2015 and 2016, (e) 5,531 on each of May 10, 2013, 2014, 2015, 2016 and 2017, (f) 4,449 on each of May 10, 2014 and 2016 and 4,450 on each of May 10, 2015, 2017 and 2018, and (g) based on the Company's achievement of a performance-based test for the fiscal year of the grant, 3,918 on each of May 10, 2015, 2016, 2017 and 2018 and 3,919 on May 10, 2019.
  - (9) Mr. Castagna's unvested stock awards are scheduled to vest as follows: (a) 3,116 on April 17, 2013, (b) 3,648 on May 10, 2013 and 3,649 on May 10, 2014, (c) 4,564 on each of May 12, 2013 and 2015 and 4,563 on May 12, 2014, (d) 5,295 on each of May 11, 2013, 2014, 2015 and 2016, (e) 4,424 on May 10, 2013 and 4,425 on each of May 10, 2014, 2015, 2016 and 2017, (f) 3,559 on May 10, 2014 and 3,560 on each of May 10, 2015, 2016, 2017 and 2018, and (g) based on the Company's achievement of a performance-based test for the fiscal year of the grant, 3,192 on each of May 10, 2015 and 2017 and 3,193 on each of May 10, 2016, 2018 and 2019.
  - (10) Mr. Temares' 300,000 exercisable option awards that expire on March 3, 2014 include 9,600 option awards held by him individually and 290,400 option awards held by a family limited partnership; 200,000 exercisable option awards that expire on April 17, 2014 include 150,000 option awards held by him individually and 50,000 option awards held by a family limited partnership; and 299,430 exercisable option awards that expire on May 12, 2016 include 112,286 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 2012**

The following table includes certain information with respect to the exercise of options and vesting of restricted stock by named executive officers during fiscal 2012.

| Name                     | Option Awards                                      |                                       | Stock Awards                                      |                                      |
|--------------------------|--|---------------------------------------|---|--------------------------------------|
|                          | Number of Shares<br>Acquired on<br>Exercise<br>(#) | Value Realized on<br>Exercise<br>(\$) | Number of<br>Shares Acquired<br>on Vesting<br>(#) | Value Realized<br>on Vesting<br>(\$) |
| Warren Eisenberg(1)(3)   | 71,811   | 1,283,851                             | 49,940  | 3,493,023                            |
| Leonard Feinstein(1)(3)  | 71,810   | 1,283,834                             | 49,940  | 3,493,023                            |
| Steven H. Temares(1)(4)  | 340,114  | 7,326,628                             | 89,498  | 6,244,555                            |
| Arthur Stark(2)(5)       | 5,000  | 106,417                               | 25,103  | 1,758,623                            |
| Eugene A. Castagna(2)(6) | 5,000  | 112,270                               | 19,822  | 1,387,440                            |

- 
- (1) Messrs. Eisenberg, Feinstein and Temares each acquired shares on May 10, 2012, May 11, 2012 and May 12, 2012, upon the lapse of restrictions on previously granted shares of restricted stock.
- (2) Messrs. Stark and Castagna each acquired shares on April 17, 2012, April 20, 2012, May 10, 2012, May 11, 2012 and May 12, 2012, upon the lapse of restrictions on previously granted shares of restricted stock.
- (3) Messrs. Eisenberg and Feinstein exercised stock options on December 31, 2012.
- (4) Mr. Temares exercised stock options on January 24, 2013, January 25, 2013, February 5, 2013, February 6, 2013, February 8, 2013, February 20, 2013 and February 21, 2013.
- (5) Mr. Stark exercised stock options on February 7, 2013.
- (6) Mr. Castagna exercised stock options on February 6, 2013.



**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 2012.

**Nonqualified Deferred Compensation for Fiscal 2012**

| Name               | Executive Contributions for Fiscal 2012(1)<br>(\$) | Company Contributions for Fiscal 2012(2)<br>(\$) | Aggregate Earnings (Losses) in Fiscal 2012(3)<br>(\$) | Aggregate Withdrawals/Distributions<br>(\$) | Aggregate Balance at Fiscal Year End 2012(4)<br>(\$) |
|--------------------|--|--|---|---|--|
| Warren Eisenberg   | 317,308  | 7,500  | 177,051   |   | 1,659,072  |
| Leonard Feinstein  | 317,308  | 7,500  | 177,185   |   | 1,660,196  |
| Steven H. Temares  | 30,923   | 1,664  | 15,721  |   | 211,228  |
| Arthur Stark       | 10,154   | 5,008  | 49,614  | 17,668                                      | 700,392  |
| Eugene A. Castagna | 127,692  | 4,252  | 51,759  |   | 781,156  |

- (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, and Castagna were \$1,149,516, \$1,149,516, \$138,411, \$452,650 and \$513,377, 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 \$7,500 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

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with the Company: twenty percent at one to two years of service, forty percent at two to three years of service, sixty percent at three to four years of service, eighty percent at four to five years of service and one hundred percent 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.

**ADVISORY VOTE ON EXECUTIVE COMPENSATION (PROPOSAL 3)**

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act and the related rules of the SEC), the Company is providing its shareholders the opportunity to cast an advisory vote on the compensation of its named executive officers for fiscal 2012. 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 beginning on page 15 of this Proxy Statement, the Company's executive officer compensation program is designed to attract and retain the caliber of officers needed to ensure the Company's continued growth and profitability and to reward them for their performance, the Company's performance and for creating long-term value for shareholders. The primary objectives of the program are to:

- align rewards with performance that creates shareholder value;
- support the Company's strong team orientation;
- encourage high potential team players to build a career at the Company; and
- provide rewards that are cost-efficient, 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 achieves this goal with its emphasis on long-term equity awards and performance-based compensation, which has enabled the Company to successfully motivate and reward its named executive officers. The Company believes that its compensation program is appropriate and has played an essential role in its continuing financial success by aligning the long-term interests of its named executive officers with the long-term interests of its shareholders.

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 2012, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

As an advisory vote, this proposal is not binding upon the Company. Notwithstanding the advisory nature of this vote, the Compensation Committee, which is responsible for designing and administering the Company's executive officer compensation program, values the opinions

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expressed by shareholders in their vote on this proposal, and will consider the outcome of the vote 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 3.

**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 2012 AS DISCLOSED IN THIS PROXY STATEMENT.**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table below sets forth certain information regarding the beneficial ownership of shares of our common stock as of May 3, 2013 by (i) each person or group of affiliated persons known by us to beneficially own more than five percent 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 3, 2013 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 218,586,230 shares of our common stock outstanding at May 3, 2013. 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<br>Beneficially Owned and Percent of<br>Class as of May 3, 2013 |       |
|---|--|--|-------|
| FMR LLC   |  | 23,381,936(1)  | 10.7% |
| Davis Selected Advisers, L.P.                                   |  | 22,803,561(2)  | 10.4% |
| Warren Eisenberg  | Co-Chairman and Director                     | 3,454,649(3)   | 1.6%  |
| Leonard Feinstein   | Co-Chairman and Director                     | 2,279,405(4)   | 1.0%  |
| Steven H. Temares   | Chief Executive Officer and Director         | 2,173,480(5)   | *     |
| Arthur Stark  | President and Chief Merchandising<br>Officer | 251,696(6)   | *     |
| Eugene A. Castagna  | Chief Financial Officer and Treasurer        | 357,871(7)   | *     |
| Dean S. Adler   | Director                                     | 18,962   | *     |
| Stanley F. Barshay  | Director                                     | 19,832   | *     |
| Klaus Eppler  | Director                                     | 12,377   | *     |
| Patrick R. Gaston   | Director                                     | 10,731   | *     |
| Jordan Heller   | Director                                     | 12,289   | *     |
| Victoria A. Morrison  | Director                                     | 10,072   | *     |
| All Directors and Executive Officers as a Group<br>(12 persons) |  | 8,956,000  | 4.1%  |

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

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(1) Information regarding FMR LLC was obtained from a Schedule 13G filed with the SEC on February 14, 2013 by FMR LLC. The Schedule 13G states that FMR LLC is deemed to have beneficial ownership of 23,381,936 shares of common stock, acquired in the ordinary course of business. The Schedule 13G also states that FMR LLC has the sole power to dispose or to direct the disposition of 23,381,936 shares of common stock. The address of FMR LLC is 82 Devonshire Street, Boston, MA 02109.

(2) Information regarding Davis Selected Advisers, L.P. was obtained from a Schedule 13G filed with the SEC on February 7, 2013 by Davis Selected Advisers, L.P. The Schedule 13G states that Davis Selected Advisers, L.P. is deemed to have beneficial ownership of 22,803,561 shares of common stock, acquired in the ordinary course of business. The Schedule 13G also states that Davis Selected Advisers, L.P. has the sole power to dispose or to direct the disposition of 22,803,561 shares of common stock. The address of Davis Selected Advisers, L.P. is 2949 East Elvira Road, Suite 101, Tucson, AZ 85756.

(3) The shares shown as being owned by Mr. Eisenberg include: (a) 633,164 shares owned by Mr. Eisenberg individually; (b) 419,484 shares issuable pursuant to stock options granted to Mr. Eisenberg that are 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) 1,129,485 shares owned by trusts for the benefit of Mr. Eisenberg and his family members; (e) 669,068 shares owned by his spouse; and (f) 103,448 shares of restricted stock. Mr. Eisenberg has sole voting power with respect to the shares held by him individually and in trust for his benefit but disclaims beneficial ownership of any of the shares not owned by him individually and in trust for the benefit of his family members.

(4) The shares shown as being owned by Mr. Feinstein include: (a) 1,065,233 shares owned by Mr. Feinstein individually; (b) 419,484 shares issuable pursuant to stock options granted to Mr. Feinstein that are or become exercisable within 60 days; (c) 350,000 shares owned by a foundation of which Mr. Feinstein and his family members are trustees and officers; (d) 341,240 shares owned by his spouse; and (e) 103,448 shares of restricted stock. Mr. Feinstein has sole voting power with respect to the shares held by him individually and in trust for his benefit but disclaims beneficial ownership of any of the shares not owned by him individually and in trust for the benefit of his family members.

(5) The shares shown as being owned by Mr. Temares include: (a) 262,094 shares owned by Mr. Temares individually; (b) 1,093,618 shares issuable pursuant to stock options granted to Mr. Temares that are or become exercisable within 60 days; (c) 527,544 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) 5,000 shares owned by a family limited partnership established by Mr. Temares' mother; and (e) 285,224 shares of restricted stock. Mr. Temares has sole voting power with respect to the shares held by him individually but disclaims beneficial ownership of the shares owned by the family limited partnership established by Mr. Temares' mother, except to the extent of his pecuniary interest therein.

(6) The shares shown as being owned by Mr. Stark include: (a) 35,027 shares owned by Mr. Stark individually; (b) 90,951 shares issuable pursuant to stock options that are or become exercisable within 60 days; and (c) 125,718 shares of restricted stock.

(7) The shares shown as being owned by Mr. Castagna include: (a) 35,661 shares owned by Mr. Castagna individually; (b) 224,156 shares issuable pursuant to stock options that are or become exercisable within 60 days; and (c) 98,054 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.

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 \$285,000) on sales of merchandise in fiscal 2012 by Blue Ridge Home Fashions to the Company in the amount of approximately \$28.5 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 \$775,000 in fiscal 2012. 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 2012, 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 Mr. Stark had one late Form 4 filing.

**NEXT YEAR S ANNUAL MEETING**

Proposals which shareholders intend to present at the 2014 Annual Meeting of Shareholders must be received by the Company no later than January 29, 2014, to be presented at the meeting or to be eligible for inclusion in next year s proxy statement under the SEC s proxy rules. 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 2014 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 February 28, 2014 and the close of business on March 31, 2014, and is otherwise in compliance with the requirements set forth in the Company s Amended By-laws. If the date of the 2014 Annual Meeting of Shareholders is more than 30 days before or more than 60 days after the anniversary date of the 2013 Annual Meeting of Shareholders, notice must be received not earlier than the 120th day prior to the 2014 Annual Meeting of Shareholders and not later than the close of business on the 90th day prior to the 2014 Annual Meeting of Shareholders, or if the first public announcement of the date of the 2014 Annual Meeting of Shareholders is less than 100 days prior to the date of the 2014 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.**  
**650 LIBERTY AVENUE**  
**UNION, NJ 07083**

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS**

If you would like to reduce the costs incurred by Bed Bath & Beyond Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

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

IF VOTING BY MAIL, PLEASE DATE, SIGN AND MAIL YOUR PROXY CARD BACK AS SOON AS POSSIBLE!

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

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M59508-P39895

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY  
THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

**BED BATH & BEYOND INC.**

1. ELECTION OF DIRECTORS

**The Board of Directors Recommends a Vote FOR ALL NOMINEES with respect to Proposal 1.**

**For Against Abstain**

Nominees for a one (1) year term:

- 1a. Warren Eisenberg
- 1b. Leonard Feinstein
- 1c. Steven H. Temares
- 1d. Dean S. Adler
- 1e. Stanley F. Barshay
- 1f. Klaus Eppler

**For Against Abstain**

2. RATIFICATION OF THE APPOINTMENT OF KPMG LLP  
**The Board of Directors Recommends a Vote FOR Proposal 2.**

      

3. To approve, by non-binding vote, the 2012 compensation paid to the Company's named executive officers.

      

**The Board of Directors Recommends a Vote FOR**

**Proposal 3.**

- 1g. Patrick R. Gaston
- 1h. Jordan Heller
- 1i. Victoria A. Morrison

4. In their discretion, the Proxies are authorized to vote upon such other business as may be brought before the meeting.

For address changes and/or comments, please check this box and write them on the back where indicated.     

Please indicate if you plan to attend this meeting.            
**Yes      No**

NOTE: Please sign exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Signature [PLEASE SIGN WITHIN BOX]      Date

Signature (Joint Owners)      Date



**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Notice of 2013 Annual Meeting of Shareholders, Proxy Statement and 2012 Annual Report are available at [www.bedbathandbeyond.com/annualmeeting2013.asp](http://www.bedbathandbeyond.com/annualmeeting2013.asp)

M59509-P39895

|  |   |
|--|---|
|  |   |
|  | <b>PROXY</b>  |
|  |   |
|  | <b>BED BATH &amp; BEYOND INC.</b>   |
|  | 650 LIBERTY AVENUE  |
|  | UNION, NEW JERSEY 07083   |
|  |   |
|  | <b>ANNUAL MEETING OF SHAREHOLDERS</b>   |
|  | <b>JUNE 28, 2013</b>  |
|  |   |
|  | <b>THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.</b>   |
|  |   |
|  | The undersigned hereby appoints Warren Eisenberg and Leonard Feinstein, or either one of them, acting singly, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side hereof, all the shares of common stock of Bed Bath & Beyond Inc. held of record by the undersigned on May 3, 2013 at the Annual Meeting of Shareholders to be held on June 28, 2013 or any adjournment or adjournments thereof. |
|  |   |
|  | <b>IF THIS PROXY IS PROPERLY EXECUTED AND RETURNED, THE SHARES REPRESENTED HEREBY WILL BE VOTED, IF NOT OTHERWISE SPECIFIED, <u>FOR</u> THE ELECTION OF ALL NOMINEES, <u>FOR</u> PROPOSAL 2, AND <u>FOR</u></b>   |

|   |  |                                  |  |  |
|---|--|----------------------------------|--|--|
| <b>PROPOSAL 3.</b>  |  |                                  |  |  |
|   |  |                                  |  |  |
|   |  | <b>Address Changes/Comments:</b> |  |  |
|   |  |                                  |  |  |
|   |  |                                  |  |  |
|   |  |                                  |  |  |
| (If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.) |  |                                  |  |  |
| (Continued on Reverse Side)   |  |                                  |  |  |