

WILLIAMS SONOMA INC
Form 11-K
June 11, 2010
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-14077

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

WILLIAMS-SONOMA, INC.
401(k) PLAN

Edgar Filing: WILLIAMS SONOMA INC - Form 11-K

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

WILLIAMS-SONOMA, INC.

3250 Van Ness Avenue

San Francisco, CA 94109

(415) 421-7900

Table of Contents

WILLIAMS-SONOMA, INC. 401(k) PLAN

**Financial Statements for the Years Ended December 31, 2009 and 2008,
Supplemental Schedule as of December 31, 2009
and Report of Independent Registered Public Accounting Firm**

Table of Contents

WILLIAMS-SONOMA, INC. 401(k) PLAN

TABLE OF CONTENTS

	Page
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	1
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008	
<u>Statements of Net Assets Available for Benefits</u>	2
<u>Statements of Changes in Net Assets Available for Benefits</u>	3
<u>Notes to Financial Statements</u>	4-12
SUPPLEMENTAL SCHEDULE AS OF DECEMBER 31, 2009	
<u>Form 5500, Schedule H, Part IV, Line 4i- Schedule of Assets (Held at End of Year)</u>	13

All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Administrative Committee and Participants

Williams-Sonoma, Inc. 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of the Williams-Sonoma, Inc. 401(k) Plan (the Plan) as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2009 and 2008, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2009 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2009 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California

June 11, 2010

Table of Contents**WILLIAMS-SONOMA, INC. 401(k) PLAN****Statements of Net Assets Available for Benefits****As of December 31, 2009 and 2008**

	2009	2008
Investments, at fair value:		
Cash	\$ 1,049	\$ 392
Mutual funds	69,116,256	49,394,336
Williams-Sonoma, Inc. stock fund	40,190,158	15,579,133
Collective common trust fund	11,018,617	10,631,827
Loans to participants	3,343,530	3,538,113
Total investments at fair value	123,669,610	79,143,801
Employee contributions receivable	507,775	543,265
Employer contributions receivable	2,303,373	184,092
Interest receivable	2,980	-
Mutual fund dividends receivable	24,025	28,521
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	126,507,763	79,899,679
Adjustment from fair value to contract value for fully benefit-responsive collective common trust fund	(75,507)	516,151
NET ASSETS AVAILABLE FOR BENEFITS	\$ 126,432,256	\$ 80,415,830

See notes to financial statements.

Table of Contents**WILLIAMS-SONOMA, INC. 401(k) PLAN****Statements of Changes in Net Assets Available for Benefits****For the Years Ended December 31, 2009 and 2008**

	2009	2008
ADDITIONS (REDUCTIONS) TO NET ASSETS ATTRIBUTED TO:		
Investment income (loss):		
Net appreciation (depreciation) in investments	\$ 39,369,723	\$ (58,266,614)
Interest	604,783	516,389
Dividends	926,451	834,427
 Total investment income (loss)	 40,900,957	 (56,915,798)
Contributions:		
Employee	12,765,098	15,586,906
Employer, net of forfeitures	4,471,930	5,125,364
 Total contributions	 17,237,028	 20,712,270
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Benefit payments to participants	11,788,543	11,840,548
Participant paid administrative expenses	35,098	40,316
Administrative expenses paid from forfeitures	297,918	-
 Total deductions	 12,121,559	 11,880,864
Net increase (decrease)	46,016,426	(48,084,392)
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	80,415,830	128,500,222
 End of year	 \$ 126,432,256	 \$ 80,415,830

See notes to financial statements.

Table of Contents

WILLIAMS-SONOMA, INC. 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. DESCRIPTION OF PLAN

The following description of the Williams-Sonoma, Inc. 401(k) Plan (the *Plan*) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan provisions.

General The Plan, which became effective as of February 1, 1989, is a defined contribution plan covering eligible salaried and hourly associates and was created to provide savings opportunities to the associates of Williams-Sonoma, Inc. (the *Company*). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (*ERISA*) and is intended to be qualified under Internal Revenue Code Sections 401(a), 401(k), 401(m), and 4975(e)(7).

Contributions The Plan allows participants to defer a portion of their income and have such amounts paid into the Plan, thus reducing the participant's taxable income in the year of contribution. Full-time regular associates who are at least 21 years old may participate as soon as administratively practicable (approximately 30 days) after their date of hire. Part-time and casual associates who are at least 21 years old may participate as soon as administratively practicable after the completion of 1,000 hours of service with the Company within a given Plan year or their first year of service. Temporary associates are eligible to participate only if eligibility criteria had previously been met as a former full-time, part-time or casual associate. The Plan permits eligible employees to make elective deferral contributions up to 75% of their eligible compensation (base salary, hourly wages, and overtime) each pay period (5% for certain highly compensated individuals) up to the maximum salary deferral contributions allowed under federal income tax rules. Participants who reach age 50 by the end of a calendar year and make the maximum deferrals into the Plan can make additional *catch-up* contributions. Participants are also allowed to *roll over* to the Plan certain pre-tax distributions from other qualified plans and arrangements. During 2009 and 2008, federal income tax rules generally limited participants maximum salary deferral contributions to \$16,500 and \$15,500, respectively and *catch-up* contributions to \$5,500 and \$5,000, respectively.

The Company's matching contribution is equal to 50% of each participant's elective salary deferral contribution each pay period, taking into account only those contributions that do not exceed 6% of the participant's eligible pay (5% for certain highly compensated individuals). Each participant's matching contribution is earned on a semi-annual basis with respect to eligible salary deferrals for those employees that are employed with the Company on June 30 or December 31 of the year in which the deferrals are made. Associates become eligible for Company matching contributions on the first day of the calendar quarter following completion of one year of service. The Company does not match participants *roll over* and *catch-up* contributions.

Participant accounts The Plan maintains individual accounts for participants. Each participant's account is credited with the participant's contributions, the Company's matching contributions and earnings or losses. Participants can transfer their own contributions freely between funds at any time and still qualify for the Company's matching contribution. Company matching contributions are invested in the same funds as

Table of Contents

the participant's elective deferral contributions. The investment alternatives available to participants during 2009 were as follows:

Williams-Sonoma, Inc. stock fund consists of Williams-Sonoma, Inc. common stock

Dodge & Cox Balanced Fund a balanced fund invested in stocks and bonds

Dodge & Cox Stock Fund a large cap value fund invested in stocks of large, mature U.S. companies

PIMCO Total Return Admin Class Fund an intermediate term bond fund invested primarily in investment grade debt securities

Growth Fund of America R4 a large cap fund with diversified investments in both growth stocks and large U.S. companies

American Beacon International Equity Fund a foreign stock fund invested primarily in stocks of large, non-U.S. international companies

Schwab S&P 500 Select SHS a large cap equity fund invested in stocks of the 500 large U.S. companies whose results are included in the S&P 500 average

Artisan Small Cap Fund a small cap fund invested in small cap U.S. growth companies

Blackrock Lifepath 2040 Fund (formerly Barclay's Lifepath 2040) a fund that is diversified among stocks, bonds and cash equivalents and is adjusted over time to gradually become more conservative as the participant approaches retirement age. The fund's current asset allocation is approximately 87% in stocks, 10% in bonds and 3% in cash equivalents.

Blackrock Lifepath 2030 Fund (formerly Barclay's Lifepath 2030) a fund that is diversified among stocks, bonds and cash equivalents and is adjusted over time to gradually become more conservative as the participant approaches retirement age. The fund's current asset allocation is approximately 74% in stocks, 21% in bonds and 5% in cash equivalents.

Blackrock Lifepath 2020 Fund (formerly Barclay's Lifepath 2020) a fund that is diversified among stocks, bonds and cash equivalents and is adjusted over time to gradually become more conservative as the participant approaches retirement age. The fund's current asset allocation is approximately 59% in stocks, 35% in bonds and 6% in cash equivalents.

Blackrock Lifepath Retirement Fund (formerly Barclay's Lifepath Retirement) a mutual fund invested in stocks, bonds, and cash equivalents managed for investors seeking income and moderate long-term growth of capital.

Schwab Stable Value Fund a collective common trust invested in stable value investments such as guaranteed investment contracts, collective investment trusts and fixed income investments supported by wrap contracts

Participant loans Participants who are employed full time by the Company are allowed to borrow from their individual account up to 50% of their vested account balance, from a minimum loan of \$1,000 up to a maximum loan of \$50,000 (reduced in the case of participants with loans

Edgar Filing: WILLIAMS SONOMA INC - Form 11-K

outstanding in the previous year). A participant may have only one loan from the Plan outstanding at any given time. The loans are secured by the vested balance in the participant's account and bear interest at a fixed rate equal to 1% plus the prime lending rate as published by the Wall Street Journal at the beginning of the calendar month in which the loan is initiated. Principal and interest are required to be repaid ratably through regular payroll deductions for up

Table of Contents

to five years, unless the loan is to acquire a participant's principal residence, in which case the maximum term of the loan is fifteen years. If a participant leaves the Company, any unpaid loan balance must be paid in full on the participant's last day of employment. If the participant does not repay the loan as required, the outstanding balance of the loan is treated as a taxable distribution from the Plan.

Vesting Participants are immediately 100% vested in their elective deferral contributions, rollover contributions, catch-up contributions and any earnings attributable thereto. For the first five years of a participant's employment, the Company's matching contributions and any earnings attributable thereto generally vest at a rate of 20% per year of service, measured from the participant's hire date. Thereafter, all Company matching contributions and earnings attributable thereto vest immediately. In addition, Company matching contributions become 100% vested upon a participant's death, attainment of age 65 or total and permanent disability, in each case while still employed with the Company.

Forfeitures When a participant terminates employment prior to full vesting and takes a full distribution of the vested portion, any unvested Company matching contributions and earnings attributable thereto are immediately forfeited (subject to restoration if the participant returns to employment before incurring a five-year break in service). When a participant terminates employment prior to full vesting and defers distribution from the Plan, the unvested portion of the Company matching contributions and earnings attributable thereto remain in the Plan (except if the participant's vested balance is \$5,000 or less following separation) until the participant has a five-year break in service, at which time the unvested contributions and any attributable earnings thereto are forfeited. These forfeited amounts may be used to reduce the amount of future Company matching contributions, pay the Plan's administrative expenses, or fund the restoration of forfeited amounts. During 2009, forfeitures of \$297,918 were used to pay administrative expenses incurred by the Plan. During 2008, forfeitures of \$641,575 were used to reduce Company matching contributions.

Payment of benefits Benefits are payable upon termination of employment, hardship, death, disability, retirement or attainment of at least age 59 1/2. A participant is not required to take the distributions until after the participant both separates from the Company and attains age 70 1/2, except if the participant's vested account balance is \$5,000 or less following separation, in which case the Plan will issue the participant a full distribution. Distribution of a participant's benefits may be made in cash, Company common stock (to the extent the distribution is invested in the Williams-Sonoma, Inc. Stock Fund), or both, and are recorded when paid.

Plan termination The Company has no intention at this time to terminate the Plan, but retains the authority to amend or terminate the Plan at any time for any reason. In the event of Plan termination, participants' accounts become fully vested. Net assets of the Plan are applied for the exclusive benefit of the participants.

Plan administrative and investment expenses Administrative expenses incurred by the Plan are generally paid by the Company. Investment expenses incurred by the Plan are generally paid from Plan assets.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of accounting The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from net assets available for benefits during the reporting period. Actual results could differ from those estimates.

Risks and uncertainties The Plan invests in various securities including mutual funds, a collective common trust fund and Williams-Sonoma, Inc. common stock. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk

Table of Contents

associated with certain investment securities, changes in the fair market values of investment securities have occurred in the past and may occur in the near term. Such changes have materially affected and could materially affect the amounts reported in the financial statements.

Purchases and sales Purchases and sales of securities are recorded on a trade-date basis.

Cash and cash equivalents Cash and cash equivalents primarily represent amounts temporarily held in cash due to the timing of investment transactions occurring near year-end.

Investments The Plan's investments are stated at fair value. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in the Williams-Sonoma, Inc. stock fund and mutual funds are stated at fair value, which is based on publicly quoted market prices. Investments in collective common trust funds (the Schwab Stable Value Fund) are stated at fair value, as determined by the issuer, and then adjusted to contract value. Participant loans are stated at their carrying values, which approximate their fair values.

Management fees and operating expenses charged to the Plan for investments are deducted from income earned on a daily basis and are reflected as a reduction of the investment value for such investments.

Collective common trust fund The Schwab Stable Value Fund (the Fund) is a collective common trust that is fully benefit-responsive. The Fund invests in a diversified portfolio of stable assets which include, but are not limited to, units of collective trust funds consistent with the Fund's objective of stable value, alternative and separate account investment contracts as well as short-term money market instruments.

Alternative and separate account investment contracts consist of investments in underlying securities with wrap contracts under which a third party guarantees benefit-responsive withdrawals by plan participants at contract value. In the event that wrap contracts fail to perform as intended, the Fund's net asset value may decline if the market value of its assets declines. The Fund's ability to receive amounts due pursuant to these wrap contracts is dependent on the third-party issuer's ability to meet their financial obligations. The wrap issuer's ability to meet its contractual obligations may be affected by future economic and regulatory developments. Wrap contracts are normally purchased from issuers rated in the top three long-term rating categories (A- or above).

The Fund is stated at fair value within investments in the statement of net assets available for benefits, and an additional line item is presented representing the adjustment from fair value to contract value based on the proportionate share of ownership by the Plan's participants. The fair value of the Fund is equal to the total of the fair values of the underlying assets plus the wrap contracts. In determining fair value, the trustee considers such factors as the benefit-responsiveness of the investment contracts, the ability of the parties to the investment contracts to perform in accordance with the terms of the contracts and, the likelihood of default by the issuer of an investment security. Contract value represents contributions made to the Fund, plus earnings, less participant withdrawals and administrative expenses. The statement of changes in net assets available for benefits is presented on a contract value basis. The contract value of the Fund was \$10,943,110 and \$11,147,978 as of December 31, 2009 and 2008, respectively.

Benefits payable As of December 31, 2009 and 2008, the following amounts were due to participants who had withdrawn from participation in the Plan:

Edgar Filing: WILLIAMS SONOMA INC - Form 11-K

	2009	2008
Deferred benefits payable	\$ 29,028,089	\$ 16,137,585
Benefits payable	138,002	1,082,047
Total	\$ 29,166,091	\$ 17,219,632

Table of Contents

Deferred benefits payable represents vested account balances greater than \$5,000 payable to all terminated Plan participants who have elected to defer distribution of their account balances. Benefits payable represents vested account balances of \$5,000 or less which will be paid to participants in the coming year. Benefit payments to participants are recorded upon distribution.

Related party transactions The Charles Schwab Trust Company is the trustee of the Plan, and Schwab Retirement Plan Services, Inc. is the administrator of the Plan. All investments managed by both companies qualify as exempt party-in-interest transactions. Fees paid to the Charles Schwab Trust Company and Schwab Retirement Plan Services, Inc. for trustee and administrative fees for 2009 and 2008 were \$303,363 and \$326,050, respectively.

In addition, the Plan issues loans to participants that are secured by the balances in the participants' accounts. These transactions qualify as exempt party-in-interest transactions.

Interest Interest income is recorded on the accrual basis.

Dividends Dividends represent amounts paid on shares held in the Williams-Sonoma, Inc. Stock Fund and are determined based on shares held as of the record date and recorded on the ex-dividend date. Participants may elect to receive a payout or have their dividends reinvested into the fund.

New Accounting Pronouncements In April 2009, the FASB Staff Position (FSP) 157-4, *Disclosures Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, was issued and later codified into Accounting Standards Codification (ASC) 820. We have adopted the FSP in 2009, which expanded our disclosures and required that major categories for debt and equity securities in the fair value hierarchy table be determined on the basis of the nature and risks of the investments.

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, *Fair Value Measurements and Disclosures*, which amends ASC 820 (originally issued as FASB Statement No. 157, *Fair Value Measurements*), adding new disclosure requirements for Levels 1 and 2, separate disclosures of purchases, sales, issuances, and settlements relating to Level 3 measurements and clarification of existing fair value disclosures. ASU No. 2010-06 is effective for periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. We are currently evaluating the impact of ASU No. 2010-06 on the Plan's financial position and results of operations.

Fair Value Measurements The Plan accounts for the fair value of its assets and liabilities in accordance with ASC Topic 820, *Fair Value Measurements*.

ASC Topic 820 establishes three levels of inputs that may be used to measure fair value:

Level 1: quoted prices from active markets for identical assets or liabilities

Edgar Filing: WILLIAMS SONOMA INC - Form 11-K

Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly

Level 3: unobservable inputs for which little or no market activity exists, which require the reporting entity to develop its own assumptions of what market participants would use in pricing the asset or liability at the measurement date.

The Plan has classified the inputs used to measure the fair values of Williams-Sonoma, Inc. common stock and mutual funds as Level 1, as their fair values were based on publicly quoted market prices. Inputs used to measure the fair value of investments in the Schwab Stable Value Fund are classified as Level 2. The fair value of investments in the Schwab Stable Value Fund is equal to the total of the fair values of the

Table of Contents

underlying assets plus the wrap contracts. The fair value of the wrap contracts is determined using a discounting methodology which incorporates the difference between current market level rates for contract level wrap fees and the wrap fee being charged. The difference is calculated as a dollar value and discounted by the prevailing interpolated yield curve as of year end. Investments in units of collective trust funds and short-term investment funds are valued at their respective net asset values as traded and reported by the funds daily. Short-term money market investments are stated at amortized cost, which approximates fair value. Participant loans are carried at amortized cost, which approximates fair value and are classified as Level 3.

The following tables set forth by level within the fair value hierarchy a summary of the Plan's investments measured at fair value on a recurring basis at December 31, 2009 and 2008.

Assets measured at fair value as of December 31, 2009 were:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Cash	\$ 1,049	\$ -	\$ -	\$ 1,049
Mutual funds:				
Domestic equity securities	30,751,216	-	-	30,751,216
International equity securities	6,825,245	-	-	6,825,245
Domestic debt securities	8,122,332	-	-	8,122,332
Blended equity and debt securities	23,417,463	-	-	23,417,463
Williams-Sonoma, Inc. stock fund	40,190,158	-	-	40,190,158
Collective common trust fund	-	11,018,617	-	11,018,617
Participant loans	-	-	3,343,530	3,343,530
Total investments measured at fair value	\$ 109,307,463	\$ 11,018,617	\$ 3,343,530	\$ 123,669,610

Assets measured at fair value as of December 31, 2008 were:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Cash	\$ 392	\$ -	\$ -	\$ 392
Mutual funds:				
Domestic equity securities	21,214,755	-	-	21,214,755
International equity securities	5,060,845	-	-	5,060,845
Domestic debt securities	6,287,877	-	-	6,287,877
Blended equity and debt securities	16,830,859	-	-	16,830,859
Williams-Sonoma, Inc. stock fund	15,579,133	-	-	15,579,133
Collective common trust fund	-	10,631,827	-	10,631,827
Participant loans	-	-	3,538,113	3,538,113
Total investments measured at fair value	\$ 64,973,861	\$ 10,631,827	\$ 3,538,113	\$ 79,143,801

Table of Contents

The table below sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2009 and December 31, 2008.

	2009	2008
Participant loans beginning balance	\$ 3,538,113	\$ 3,684,600
Issuances, repayments, and settlements, net	(194,583)	(146,487)
Participant loans ending balance	\$ 3,343,530	\$ 3,538,113

3. INVESTMENTS

At December 31, 2009 and 2008, the fair value of the following investments was 5% or more of the net assets available for benefits:

	2009	2008
Williams-Sonoma, Inc. stock fund ¹		
(482,939 and 488,987 fund shares, respectively)	\$ 40,190,158	\$ 15,579,133
Dodge & Cox Balanced Fund		
(191,564 and 182,944 fund shares, respectively)	12,265,817	9,377,715
Dodge & Cox Stock Fund		
(124,660 and 118,749 fund shares, respectively)	11,984,828	8,831,379
Schwab Stable Value Fund ¹		
(587,954 and 615,614 fund shares, respectively)	11,018,617	10,631,827
PIMCO Total Return Admin Class Fund		
(752,068 and 620,106 fund shares, respectively)	8,122,332	6,287,877
Growth Fund of America R4		
(272,582 and 237,583 fund shares, respectively)	7,389,699	4,827,678
American Beacon International Equity Fund		
(436,397 and 407,148 fund shares, respectively)	6,825,245	5,060,845
Schwab S&P 500 Select SHS ¹		
(370,259 and 318,449 fund shares, respectively)	6,420,288	4,435,994

¹ Represents an exempt party-in-interest transaction.

Table of Contents

During 2009 and 2008, the Plan's investments, including gains and losses on investments bought and sold as well as those held during the year, appreciated (depreciated) in value as follows:

	2009	2008
Williams-Sonoma, Inc. stock fund	\$ 25,117,705	\$ (33,178,587)
Mutual funds	13,946,205	(25,448,169)
Collective common trust fund	305,813	360,142
Total net appreciation (depreciation)	\$ 39,369,723	\$ (58,266,614)

4. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of employer and employee contributions receivable balances per the financial statements at December 31, 2009 and 2008 to the Form 5500:

	2009	2008
Employer contributions receivable per the financial statements	\$ 2,303,373	\$ 184,092
Employer contributions earned; received in subsequent year	(110,878)	(184,092)
Employer contributions receivable per Form 5500	\$ 2,192,495	\$ -
Employee contributions receivable per the financial statements	\$ 507,775	\$ 543,265
Employee contributions earned; received in subsequent year	(352,104)	(543,265)
Employee contributions receivable per Form 5500	\$ 155,671	\$ -

The following is a reconciliation of employer and employee contributions per the financial statements for the years ended December 31, 2009 and December 31, 2008 to the Form 5500:

	2009	2008
Employer contributions (net of forfeitures) per the financial statements	\$ 4,471,930	\$ 5,125,364
Employer contributions (net of forfeitures) earned; received in subsequent year	73,216	73,672
Employer contributions per Form 5500	\$ 4,545,146	\$ 5,199,036
Employee contributions per the financial statements	\$ 12,765,098	\$ 15,586,906
Employee contributions earned; received in subsequent year	191,161	(8,074)
Employee rollover contributions; separately reported on Form 5500	(374,008)	(928,756)
Employee contributions per Form 5500	\$ 12,582,251	\$ 14,650,076

Table of Contents

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2009 and 2008 to the Form 5500:

	2009	2008
Net assets available for benefits per the financial statements	\$ 126,432,256	\$ 80,415,830
Contributions earned; received in subsequent year	(462,982)	(727,357)
Adjustment from contract value to fair value for collective common trust fund	75,507	(516,151)
 Net assets available for benefits per Form 5500	 \$ 126,044,781	 \$ 79,172,322

The following is a reconciliation of net appreciation in value of the collective common trust fund per the financial statements for the years ended December 31, 2009 and December 31, 2008 to the Form 5500:

	2009	2008
Net appreciation in value of collective common trust fund per the financial statements	\$ 305,813	\$ 360,142
Net appreciation (depreciation) from contract value to fair value for collective common trust fund	591,659	(535,704)
 Net appreciation (depreciation) in value of collective common trust fund per Form 5500	 \$ 897,472	 \$ (175,562)

5. INCOME TAX STATUS

On February 11, 2003, the Internal Revenue Service (IRS) issued a determination letter stating that the Plan, as amended through December 31, 2002, was qualified and the trust established there under tax-exempt under the applicable sections of the Internal Revenue Code (the Code). The Plan has been amended since receiving the determination letter. The Administrative Committee believes that the amendments to the Plan, as adopted subsequent to December 31, 2002, have not affected the Plan s qualified status. The Plan is required to operate in conformity with the Code to maintain its qualification. The Administrative Committee believes the Plan is operating in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust was tax-exempt as of December 31, 2009. Therefore, a provision for income taxes has not been included in the Plan s financial statements.

Table of Contents**WILLIAMS-SONOMA, INC. 401(k) PLAN**

Form 5500, Schedule H, Part IV, Line 4i

Schedule of Assets (Held at End of Year)

As of December 31, 2009

Security Description	Number of Fund Shares/Units	Fair Value
Williams-Sonoma, Inc. stock fund ¹	482,939	\$ 40,190,158
Mutual funds:		
Dodge & Cox Balanced Fund	191,564	12,265,817
Dodge & Cox Stock Fund	124,660	11,984,828
PIMCO Total Return Admin Class Fund	752,068	8,122,332
Growth Fund of America R4	272,582	7,389,699
American Beacon International Equity Fund	436,397	6,825,245
Schwab S&P 500 Select SHS ¹	370,259	6,420,288
Artisan Small Cap Fund	363,106	4,956,401
Blackrock Lifepath 2040 Fund	237,598	3,811,073
Blackrock Lifepath 2030 Fund	231,026	3,074,955
Blackrock Lifepath 2020 Fund	173,612	2,538,203
Blackrock Lifepath Retirement Fund	159,946	1,727,415
Total mutual funds		69,116,256
Collective common trust fund:		
Schwab Stable Value Fund ¹	587,954	11,018,617
Cash		1,049
Loans to participants (657 loans at interest rates of 4.25% to 9.25%) ^{1,2}		3,343,530
Total assets held for investment		\$ 123,669,610

¹ Represents an exempt party-in-interest transaction.² Includes loans with original maturities of up to 15 years. See Note 1 to financial statements.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan's Administrative Committee has duly caused this Annual Report to be signed on its behalf by the undersigned hereunto duly authorized.

WILLIAMS-SONOMA, INC.

401(k) PLAN

By: /s/ Laurel Pies

Laurel Pies

Vice President of Compensation, Benefits and

Human Resources Information Management

Administrative Committee Member

Dated: June 11, 2010

Table of Contents

EXHIBIT INDEX

Exhibit Number

Description

23.1

Consent of Independent Registered Public Accounting Firm