

BED BATH & BEYOND INC  
Form 10-K  
April 30, 2013  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**FORM 10-K**

**Annual Report Pursuant to Section 13 or 15(d)**  
**of the Securities Exchange Act of 1934**

For the fiscal year ended March 2, 2013

Commission File Number 0-20214

**BED BATH & BEYOND INC.**

(Exact name of registrant as specified in its charter)

**New York**  
(State or other jurisdiction of  
incorporation or organization)

**11-2250488**  
(IRS Employer  
Identification No.)

**650 Liberty Avenue, Union, New Jersey 07083**

(Address of principal executive offices) (Zip Code)

Edgar Filing: BED BATH & BEYOND INC - Form 10-K

Registrant's telephone number, including area code: 908/688-0888

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Common stock, \$.01 par value	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

As of August 25, 2012, the aggregate market value of the common stock held by non-affiliates (which was computed by reference to the closing price on such date of such stock on the NASDAQ National Market) was \$14,555,560,334.\*

The number of shares outstanding of the registrant's common stock (par value \$0.01 per share) at March 30, 2013: 220,044,578.

### **Documents Incorporated by Reference**

Portions of the Registrant's definitive proxy statement for the 2013 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A are incorporated by reference in Part III hereof.

---

\* For purposes of this calculation, all outstanding shares of common stock have been considered held by non-affiliates other than the 9,986,661 shares beneficially owned by directors and executive officers, including in the case of the Co-Chairmen trusts and foundations affiliated with them. In making such calculation, the Registrant does not determine the affiliate or non-affiliate status of any shares for any other purpose.

---

Table of Contents

**TABLE OF CONTENTS**

**Form 10-K**  
**Item No.**

**Name of Item**

**PART I**

<u>Item 1.</u>	<u>Business</u>
<u>Item 1A.</u>	<u>Risk Factors</u>
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>
<u>Item 2.</u>	<u>Properties</u>
<u>Item 3.</u>	<u>Legal Proceedings</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>

**PART II**

<u>Item 5.</u>	<u>Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities</u>
<u>Item 6.</u>	<u>Selected Financial Data</u>
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>
<u>Item 9.</u>	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>
<u>Item 9A.</u>	<u>Controls and Procedures</u>
<u>Item 9B.</u>	<u>Other Information</u>

**PART III**

<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>
<u>Item 11.</u>	<u>Executive Compensation</u>
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters</u>
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>
<u>Item 14.</u>	<u>Principal Accounting Fees and Services</u>

**PART IV**

<u>Item 15.</u>	<u>Exhibits, Financial Statement Schedules</u>
-----------------	--

Table of Contents

**PART I**

*Unless otherwise indicated, the term "Company" refers collectively to Bed Bath & Beyond Inc. and subsidiaries as of March 2, 2013. The Company's fiscal year is comprised of the 52 or 53 week period ending on the Saturday nearest February 28. Accordingly, fiscal 2012 represented 53 weeks and ended on March 2, 2013. Fiscal 2011 and 2010 represented 52 weeks and ended on February 25, 2012 and February 26, 2011, respectively. Unless otherwise indicated, all references herein to periods of time (e.g., quarters and years) are to fiscal periods.*

**ITEM 1 BUSINESS**

**Introduction**

Bed Bath & Beyond Inc. and subsidiaries (the "Company") operates a chain of 1,471 retail stores under the names Bed Bath & Beyond ("BBB"), Christmas Tree Shops or andThat! (collectively, "CTS"), Harmon or Harmon Face Values (collectively, "Harmon"), buybuy BABY and World Market or Cost Plus World Market (collectively, "World Market"). The Company includes Linen Holdings, a distributor of a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, food service, healthcare and other industries. Additionally, the Company is a partner in a joint venture which operates three retail stores in Mexico under the name Bed Bath & Beyond.

The Company sells a wide assortment of domestics merchandise and home furnishings. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings, consumables and certain juvenile products. The Company offers a breadth and depth of selection in most of its product categories that exceeds what is generally available in department stores or other specialty retail stores.

**History**

The Company was founded in 1971 by Leonard Feinstein and Warren Eisenberg, the Co-Chairmen of the Company. Each has more than 50 years of experience in the retail industry.

The Company commenced operations in 1971 with the opening of two stores, which primarily sold bed linens and bath accessories. In 1985, the Company introduced its first store carrying a full line of domestics merchandise and home furnishings. The Company began using the name Bed Bath & Beyond in 1987 in order to reflect the expanded product line offered by its stores and to distinguish its stores from conventional specialty retail stores offering only domestics merchandise or home furnishings. In 2002, the Company acquired Harmon, a health and beauty care retailer, which operated 27 stores at the time located in Connecticut, New Jersey and New York. In 2003, the Company acquired CTS, a retailer of giftware and household items, which operated 23 stores at the time located in Connecticut, Maine, Massachusetts, New Hampshire, New York and Rhode Island. In 2007, the Company acquired buybuy BABY, a retailer of infant and toddler merchandise, which operated 8 stores at the time located in Maryland, New Jersey, New York and Virginia. In 2007, the Company opened its first international BBB store in Ontario, Canada. In 2008, the Company became a partner in a joint venture which operated two stores in the Mexico City market under the name Home & More, which were rebranded as Bed Bath & Beyond in fiscal 2012. In June 2012, the Company acquired Linen Holdings, LLC ("Linen

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

Holdings ), a distributor of a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, food service, healthcare and other industries, and Cost Plus, Inc. ( World Market ), a retailer selling a wide range of home decorating items, furniture, gifts, holiday and other seasonal items, and specialty food and beverages, which operated 258 stores in 30 states at the time of acquisition under the names of World Market or Cost Plus World Market.

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

Table of Contents

Total net sales of the Company were \$10.915 billion, \$9.500 billion and \$8.759 billion for fiscal 2012, 2011 and 2010, respectively. Net sales outside of the U.S. were not material for fiscal 2012, 2011 and 2010. Refer to Part II, Item 7 and Item 8 of this Form 10-K for additional financial information.

**Operations**

It is the Company's goal to offer quality merchandise at everyday low prices; to maintain a wide assortment of merchandise; to present merchandise in a distinctive manner designed to maximize customer convenience and reinforce customer perception of wide selection; and to emphasize dedication to customer service and satisfaction.

**Pricing.** The Company believes in maintaining everyday low prices. The Company regularly monitors price levels at its competitors in order to ensure that its prices are in accordance with its pricing philosophy. The Company believes that the application of its everyday low price philosophy is an important factor in establishing its reputation among customers.

**Merchandise Assortment.** The Company sells a wide assortment of domestics merchandise and home furnishings. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings, consumables and certain juvenile products. The Company strives to tailor the merchandise mix as appropriate to respond to changing trends and conditions. The factors taken into account in selecting the merchandise mix for a particular store include store size, configuration and local market conditions, such as climate and demographics. The Company, on an ongoing basis, tests new merchandise categories and adjusts the categories of merchandise carried in its stores and may add new departments or adjust the size of existing departments as required. Additionally, the Company continues to integrate the merchandise assortments among its concepts. The Company believes that the process of adding new departments, integrating the Company's merchandise within concepts, and expanding or reducing the size of various departments in response to changing conditions is an important part of its merchandising strategy.

**Merchandise Presentation.** The Company has developed a style of merchandise presentation where all of its stores have groups of related product lines presented together in separate areas of each store. The Company believes that this format of merchandise presentation makes it easy for customers to locate products, reinforces customer perception of wide selection and communicates to customers that its stores offer a level of customer service generally associated with smaller specialty stores.

The Company believes that its extensive merchandise selection, rather than fixturing, should be the focus of customer attention and, accordingly, primarily uses simple modular fixturing throughout its stores. This fixturing is primarily designed so that it can be easily reconfigured to adapt to changes in the store's merchandise mix and presentation. The Company believes that its merchandise displays create an exciting and attractive shopping environment that encourages impulse purchases of additional items.

**Advertising.** In general, the Company relies on word of mouth advertising, its reputation for offering a wide assortment of quality merchandise at everyday low prices and the use of paid advertising. Primary vehicles of paid advertising used by the Company include full-color circulars and other advertising pieces distributed via direct mail or inserts, as well as digital media including email, mobile, social and search advertising. Also, to support the opening of new stores, the Company primarily uses grand opening newspaper advertising and email.

**Customer Service.** The Company places a strong focus on customer service and seeks to make shopping at its stores as pleasant and convenient as possible. Most stores are open seven days and six evenings a week in order to enable customers to shop at times that are convenient for them. In addition, the Company's websites, [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com), [www.christmastreesshops.com](http://www.christmastreesshops.com), [www.harmondiscout.com](http://www.harmondiscout.com), [www.facevalues.com](http://www.facevalues.com), [www.buybuybaby.com](http://www.buybuybaby.com), [www.bedbathandbeyond.ca](http://www.bedbathandbeyond.ca) and [www.worldmarket.com](http://www.worldmarket.com) as well as the Company's Facebook pages are available for customers to access 24 hours a day, seven days a week.



Table of Contents

**Suppliers**

In fiscal 2012, the Company purchased its merchandise from approximately 7,800 suppliers with the Company's largest supplier accounting for approximately 5% of the Company's merchandise purchases and the Company's 10 largest suppliers accounting for approximately 18% of such purchases. The Company purchases substantially all of its merchandise in the United States, the majority from domestic sources and the balance from importers. The Company purchases a small amount of its merchandise directly from overseas sources. The Company has no long term contracts for the purchase of merchandise. The Company believes that most merchandise, other than brand name goods, is available from a variety of sources and that most brand name goods can be replaced with comparable merchandise.

**Distribution of Merchandise**

A substantial portion of the Company's merchandise is shipped to stores or customers through its supply chain network, which includes distribution facilities which are either owned or leased by the Company or managed by third parties, with the remaining merchandise shipped to stores or customers directly from a vendor. The Company utilizes 15 distribution facilities totaling approximately 6.0 million square feet. In addition, the Company maintains a number of supplemental storage locations to either enhance the warehouse facilities in the Company's stores in proximity to these locations or to fulfill orders for customers.

**Employees**

As of March 2, 2013, the Company employed approximately 57,000 persons in full-time and part-time positions. The Company believes that its relations with its employees are very good and that the labor turnover rate among its management employees is lower than that generally experienced within the industry.

**Seasonality**

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

**Expansion Program**

The Company is engaged in an ongoing expansion program involving the opening of new stores in both new and existing markets, the expansion or relocation of existing stores and the continuous review of strategic acquisitions. In the 21 year period from the beginning of fiscal 1992 to the end of fiscal 2012, the Company has grown from 34 stores to 1,471 stores, including the 258 World Market stores acquired on June 29, 2012. The Company's 1,471 stores operate in all 50 states, the District of Columbia, Puerto Rico and Canada, including: 1,004 BBB stores operating in

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

all 50 states, the District of Columbia, Puerto Rico and Canada; 74 CTS stores operating in 22 states; 47 Harmon stores operating in four states; 82 buybuy BABY stores operating in 29 states; and 264 World Market stores operating in 31 states and the District of Columbia. Total square footage grew from approximately 0.9 million square feet at the beginning of fiscal 1992 to approximately 42.0 million square feet at the end of fiscal 2012, including the 264 World Market stores. During fiscal 2012, the Company opened a total of 41 new stores, including 12 BBB stores throughout the United States and Canada and three CTS stores, two Harmon stores, 18 buybuy BABY stores and six World Market stores throughout the United States and closed one BBB store, all of which resulted in the aggregate addition of approximately 5.9 million square feet of store space, including approximately 4.8 million square feet of store space for the 258 World Market stores acquired on June 29, 2012. Additionally, the Company is a partner in a joint venture which opened one store during fiscal 2012 and as of March 2, 2013, operated a total of three retail stores in Mexico under the name Bed Bath & Beyond.

The Company intends to continue its expansion program and believes that the continued growth of the Company is dependent, in large part, on the success of this program. As part of its expansion program, the Company expects to open new stores and expand existing stores as opportunities arise. The Company believes throughout the United States and Canada, there is an opportunity to operate in excess of 1,300 BBB stores as well as grow World Market, CTS and buybuy BABY from coast to coast.

Table of Contents

In determining where to open new stores, the Company evaluates a number of factors, including the availability of real estate, demographic information (such as data relating to income and education levels, age and occupation) and distribution. The Company has built its management structure with a view toward its expansion and believes that, as a result, it has the management depth necessary to support its anticipated expansion program.

During fiscal 2012, the Company acquired Linen Holdings and World Market.

**Competition**

The Company operates in the fragmented and highly competitive retail industry. The Company competes with many different types of retail stores that sell many or most of the same products. Such competitors include but are not limited to: (i) department stores, which often carry many of the same product lines as the Company's stores but do not typically have the same depth or breadth of product selection, (ii) specialty stores, which often have a depth of product selection but typically carry only a limited portion of the product lines carried by the Company's stores, (iii) discount and mass merchandise stores, (iv) national chains and (v) online and multi-channel retailers. In addition, the Company's stores compete, to a more limited extent, with factory outlet stores that typically offer limited quantities or limited lines of quality merchandise at discount prices. Other entities continue to introduce new concepts that include many of the product lines carried by the Company's stores. There can be no assurance that the operation of competitors will not have a material adverse effect on the Company.

**Tradenames and Service Marks**

The Company uses the service marks Bed Bath & Beyond, buybuy BABY, Christmas Tree Shops, andThat!, Harmon, Face Values, Cost Plus World Market and Cost Plus World Market in connection with its retail services. The Company has registered trademarks and service marks or is seeking registrations for these and other trademarks and service marks with the United States Patent and Trademark Office. The Company also has registered or has applications pending with the trademark registries of several foreign countries, including having registered the Bed Bath & Beyond name and logo in Canada and Mexico. The Company also files patent applications and seeks copyright registrations where it deems such to be advantageous to the business. Management believes that its name recognition and service marks are important elements of the Company's merchandising strategy.

**Available Information**

The Company makes available as soon as reasonably practicable after filing with the Securities and Exchange Commission (SEC), free of charge, through its website, [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com), the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, electronically filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

**Executive Officers of the Registrant**

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

The following table sets forth the name, age and business experience of the Executive Officers of the Registrant:

<b>Name</b>	<b>Age</b>	<b>Positions</b>
<i>Warren Eisenberg</i>	82	<i>Co-Chairman and Director</i>
<i>Leonard Feinstein</i>	76	<i>Co-Chairman and Director</i>
<i>Steven H. Temares</i>	54	<i>Chief Executive Officer and Director</i>
<i>Arthur Stark</i>	58	<i>President and Chief Merchandising Officer</i>
<i>Matthew Fiorilli</i>	56	<i>Senior Vice President Stores</i>
<i>Eugene A. Castagna</i>	47	<i>Chief Financial Officer and Treasurer</i>

Table of Contents

*Warren Eisenberg* 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* 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.

*Steven H. Temares* has been Chief Executive Officer since 2003 and has served as a Director since 1999. Mr. Temares was President and Chief Executive Officer from 2003 to 2006, President and Chief Operating Officer from 1999 to 2003 and Executive Vice President and Chief Operating Officer from 1997 to 1999. Mr. Temares joined the Company in 1992.

*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.

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

*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.

The Company's executive officers are elected by the Board of Directors for one-year terms and serve at the discretion of the Board of Directors. No family relationships exist between any of the executive officers or directors of the Company.

**ITEM 1A RISK FACTORS**

**FORWARD-LOOKING STATEMENTS**

This Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company's actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include the following:

**General economic factors beyond the Company's control and changes in the economic climate could adversely affect the Company's performance.**

General economic factors that are beyond the Company's control impact the Company's forecasts and actual performance. These factors include housing markets, recession, inflation, deflation, consumer credit availability, consumer debt levels, fuel and energy costs, interest rates, tax rates and policy, unemployment trends, the impact of natural disasters, civil disturbances and terrorist activities, conditions affecting the retail environment for the home and other matters that influence consumer spending. Changes in the economic climate could adversely affect the Company's performance.

Table of Contents

**The Company operates in the highly competitive retail business where the use of emerging technologies as well as unanticipated changes in the pricing and other practices of competitors may adversely affect the Company's performance.**

The retail business is highly competitive. The Company competes for customers, employees, locations, merchandise, technology, services and other important aspects of the business with many other local, regional and national retailers. Those competitors range from specialty retail stores to department stores and discounters as well as online and multi-channel retailers. Specifically, rapidly evolving technologies are altering the manner in which the Company and its competitors communicate and transact with customers, and the Company's own omni channel strategy to adapt to these changes in relation to its competitors' actions in doing so presents a specific risk. Further, unanticipated changes in the pricing and other practices of the Company's competitors, including promotional activity, may adversely affect the Company's performance.

**The Company's failure to anticipate and respond in a timely fashion to changes in consumer preferences and demographic factors could have a material adverse effect on the Company's financial condition and results of operations.**

The Company's success depends on its ability to anticipate and respond in a timely manner to changing merchandise trends, customer demands and demographics. The Company's failure to anticipate, identify or react appropriately to changes in customer tastes, preferences, spending patterns and other lifestyle decisions could lead to, among other things, excess inventories or a shortage of products and could have a material adverse effect on the Company's financial condition and results of operations.

**Unusual weather patterns could adversely affect the Company's performance.**

The Company's operating results could be negatively impacted by unusual weather patterns. Frequent or unusually heavy snow, ice or rain storms, hurricanes, floods, tornados or extended periods of unseasonable temperatures could adversely affect the Company's performance.

**A major disruption of the Company's information technology systems could negatively impact operating results.**

The Company's operating results could be negatively impacted by a major disruption of the Company's information technology systems. The Company relies heavily on these systems to process transactions, manage inventory replenishment, summarize results and control distribution of products. Despite numerous safeguards and careful contingency planning, these systems are still subject to power outages, computer viruses, telecommunication failures, security breaches and other catastrophic events. A major disruption of the systems and their backup mechanisms may cause the Company to incur significant costs to repair the systems, experience a critical loss of data and result in business interruptions.

**A privacy breach of the Company's data security systems or those of its third party service providers could have a negative impact on the Company's operating results and financial performance due to possible loss of consumer confidence, as well as potential government penalties and private litigation.**

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

The Company stores certain information about its customers and employees in the ordinary course of business. The Company invests considerable resources in protecting this sensitive information but is still subject to a possible security event. A breach of its security systems or those of its third party service providers resulting in unauthorized access to stored personal information could negatively impact the Company's operating results and financial performance. Certain aspects of the business, particularly the Company website, heavily depend on consumers entrusting personal financial information to be transmitted securely over public networks. A loss of consumer confidence could result in lost future sales and have a material adverse effect on the Company's reputation. In addition, a privacy breach could cause the Company to incur significant costs to restore the integrity of its systems, and could result in significant costs in government penalties and private litigation.



Table of Contents

**A failure of the Company's suppliers to adhere to appropriate laws or standards could negatively impact its reputation.**

The Company purchases substantially all of its merchandise in the United States, the majority from domestic sources and the balance from importers. The Company purchases a small amount of its merchandise directly from overseas sources. The failure of one of the Company's domestic or foreign suppliers to adhere to labor, environmental, health and safety laws and standards could negatively impact the Company's reputation and have an adverse effect on the Company's results of operations.

**Changes in statutory, regulatory, and other legal requirements at a local, state and national level could potentially impact the Company's operating and financial results.**

The Company is subject to numerous statutory, regulatory and legal requirements at a local, state and national level. The Company's operating results could be negatively impacted by developments in these areas due to the costs of compliance in addition to possible government penalties and litigation in the event of deemed noncompliance. Changes in the regulatory environment in the area of product safety, environmental protection, privacy and information security, wage and hour laws, among others, could potentially impact the Company's operations and financial results.

**New, or developments in existing, litigation, claims or assessments could potentially impact the Company's operating and financial results.**

The Company is involved in litigation, claims and assessments incidental to the Company's business, the disposition of which is not expected to have a material effect on the Company's financial position or results of operations. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in the Company's assumptions related to these matters. While outcomes of such actions vary, any such claim or assessment against the Company could potentially impact the Company's operations and financial results.

**Changes to accounting rules, regulations and tax laws, or new interpretations of existing accounting standards or tax laws could negatively impact the Company's operating results and financial position.**

The Company's operating results and financial position could be negatively impacted by changes to accounting rules and regulations or new interpretations of existing accounting standards. These changes may include, without limitation, changes to lease accounting standards. The Company's effective income tax rate could be impacted by changes in accounting standards as well as changes in tax laws or the interpretations of these tax laws by courts and taxing authorities which could negatively impact the Company's financial results.

**The success of the Company is dependent, in part, on managing costs of labor, merchandise and other expenses that are subject to factors beyond the Company's control.**

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

The Company's success depends, in part, on its ability to manage operating costs and to look for opportunities to reduce costs. The Company's ability to meet its labor needs while controlling costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation, labor organizing activities and changing demographics. The Company's ability to find qualified vendors and obtain access to products in a timely and efficient manner can be adversely affected by political instability, the financial instability of suppliers, suppliers noncompliance with applicable laws, transportation costs and other factors beyond the Company's control.

**The Company depends upon its employees in all areas of the organization to execute its business plan and, ultimately, to satisfy its customers.**

The Company's ability to attract and retain qualified employees in all areas of the organization may be affected by a number of factors, including geographic relocation of employees, operations or facilities and the highly competitive markets in which the Company operates, including the markets for the types of skilled individuals needed to support the Company's continued growth domestically, interactively and, over the longer term, internationally.

Table of Contents

**The Company's growth depends, in part, on its ability to open new stores, execute its interactive strategies and operate profitably.**

The Company's growth depends, in part, on its ability to open new stores, execute its interactive strategies and operate profitably. The Company's ability to open additional stores successfully will depend on a number of factors, including its identification and availability of suitable store locations; its success in negotiating leases on acceptable terms; its hiring and training of skilled store operating personnel, especially management; and its timely development of new stores, including the availability of construction materials and labor and the absence of significant construction and other delays in store openings based on weather or other events. This increases the cost of doing business and the risk that the Company's business practices could result in liabilities that may adversely affect its performance, despite the exercise of reasonable care.

**The continued uncertainty in the financial markets could have an adverse effect on the Company's ability to access its cash and cash equivalents.**

The Company may have amounts of cash and cash equivalents at financial institutions that are in excess of federally insured limits. While the Company closely manages its cash and cash equivalents balances to minimize risk, with the current financial environment and instability of financial institutions, the Company can not be assured that it will not experience losses on its deposits.

**The Company has acquired several businesses and continues to evaluate potential business initiatives, including acquisitions, any of which could adversely impact the Company's performance.**

The Company believes it carefully evaluates and plans for the integration of newly acquired businesses, as well as carefully prepares for and executes on other business combinations and strategic initiatives that are part of the growth of its business. However, such activities involve certain inherent risks, including the failure to retain key personnel from an acquired business; undisclosed or subsequently arising liabilities; challenges in the successful integration of operations, aligning standards, policies and systems; and the potential diversion of management resources from existing operations to respond to unforeseen issues arising in the context of the integration of a new business or initiative.

**ITEM 1B UNRESOLVED STAFF COMMENTS**

None.

Table of Contents**ITEM 2 PROPERTIES**

Most of the Company's stores are located in suburban areas of medium and large-sized cities. These stores are situated in strip and power strip shopping centers, as well as in major off-price and conventional malls, and in free standing buildings.

The Company's 1,471 stores are located in all 50 states, the District of Columbia, Puerto Rico and Canada and range in size from approximately 5,000 to 100,000 square feet, but are predominantly between 18,000 and 50,000 square feet. Approximately 85% to 90% of store space is used for selling areas and the balance for warehouse, receiving and office space.

The table below sets forth the locations of the Company's stores as of March 2, 2013:

Alabama	21
Alaska	2
Arizona	43
Arkansas	7
California	187
Colorado	33
Connecticut	23
Delaware	4
Florida	97
Georgia	37
Hawaii	1
Idaho	9
Illinois	58
Indiana	24
Iowa	10
Kansas	11
Kentucky	10
Louisiana	19
Maine	8
Maryland	21
Massachusetts	43
Michigan	43
Minnesota	14
Mississippi	7
Missouri	22
Montana	8
Nebraska	5
Nevada	13
New Hampshire	14
New Jersey	84
New Mexico	8
New York	92
North Carolina	43
North Dakota	2
Ohio	50
Oklahoma	8

Edgar Filing: BED BATH & BEYOND INC - Form 10-K

Oregon	17
Pennsylvania	42
Rhode Island	5
South Carolina	24
South Dakota	3
Tennessee	27
Texas	114
Utah	15
Vermont	3
Virginia	44
Washington	36
West Virginia	3
Wisconsin	15
Wyoming	2
District of Columbia	3
Puerto Rico	3
Alberta, Canada	8
British Columbia, Canada	7
New Brunswick, Canada	2
Newfoundland, Canada	1
Novia Scotia, Canada	1
Ontario, Canada	14
Prince Edward Island, Canada	1
<b>Total</b>	<b>1,471</b>

The Company leases primarily all of its existing stores. The leases provide for original lease terms that generally range from 10 to 15 years and most leases provide for renewal options, often at increased rents. The Company evaluates leases on an ongoing basis which may lead to renegotiated lease terms, including rents during renewal options, or the possible relocation of stores. Certain leases provide for scheduled rent increases (which, in the case of fixed increases, the Company accounts for on a straight-line basis over the expected lease term, beginning when the Company obtains possession of the premises) and/or for contingent rent (based upon store sales exceeding stipulated amounts).

Table of Contents

The Company has distribution facilities totaling approximately 5.8 million square feet consisting of three owned facilities and eight leased facilities.

As of March 2, 2013, the Company occupied approximately 450,000 square feet of office space at five locations for procurement and corporate office functions. The corporate headquarters within two owned facilities in Union, New Jersey includes approximately 305,000 square feet with the remaining approximately 145,000 square feet within owned and leased facilities in Massachusetts, California, New Jersey and Florida. During 2012, the Company completed the relocation of the Company's Farmingdale and Garden City, New York offices to its corporate headquarters in Union, New Jersey. In addition, the Company has seven locations, totaling approximately 14,000 square feet, which are utilized primarily for institutional sales related functions.

**ITEM 3 LEGAL PROCEEDINGS**

The Company is party to various legal proceedings arising in the ordinary course of business, which the Company does not believe to be material to the Company's business or financial condition.

**ITEM 4 MINE SAFETY DISCLOSURES**

Not Applicable.

Table of Contents**PART II****ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The following table sets forth the high and low reported closing prices of the Company's common stock on the NASDAQ National Market System for the periods indicated.

	<b>High</b>		<b>Low</b>
<i>Fiscal 2012:</i>			
1st Quarter	\$ 72.47	\$	59.74
2nd Quarter	74.72		59.34
3rd Quarter	71.60		56.40
4th Quarter	60.39		54.91

	<b>High</b>		<b>Low</b>
<i>Fiscal 2011:</i>			
1st Quarter	\$ 57.30	\$	45.07
2nd Quarter	60.31		49.73
3rd Quarter	63.44		55.26
4th Quarter	63.22		57.46

The common stock is quoted through the NASDAQ National Market System under the symbol BBBY. On March 30, 2013, there were approximately 5,300 shareholders of record of the common stock (without including individual participants in nominee security position listings). On March 30, 2013, the last reported sale price of the common stock was \$64.42.

The Company has not paid cash dividends on its common stock since its 1992 initial public offering and does not currently plan to pay dividends on its common stock. The payment of any future dividends will be determined by the Board of Directors in light of conditions then existing, including the Company's earnings, financial condition and requirements, business conditions and other factors. See Item 8 - Financial Statements and Supplementary Data.

Since 2004 through the end of fiscal 2012, the Company has repurchased approximately \$5.0 billion of its common stock through share repurchase programs. The Company's purchases of its common stock during the fourth quarter of fiscal 2012 were as follows:

<b>Period</b>	<b>Total Number of Shares Purchased (1)</b>	<b>Average Price Paid per Share (2)</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) (2)</b>
---------------	---	---	---	---

Edgar Filing: BED BATH & BEYOND INC - Form 10-K

November 25, 2012 - December 22, 2012	1,326,400	\$	58.38	1,326,400	\$	2,645,688,672
December 23, 2012 - January 19, 2013	1,655,900	\$	56.14	1,655,900	\$	2,552,729,759
January 20, 2013 - March 2, 2013	2,316,700	\$	58.10	2,316,700	\$	2,418,133,888
Total	5,299,000	\$	57.56	5,299,000	\$	2,418,133,888

---

(1) Between December 2004 and December 2012, the Company's Board of Directors authorized, through share repurchase programs, the repurchase of \$7.450 billion of its shares of common stock. The Company has authorization to make repurchases from time to time in the open market or through other parameters approved by the Board of Directors pursuant to existing rules and regulations. Shares purchased indicated in this table also include the withholding of a portion of restricted shares to cover taxes on vested restricted shares.

(2) Excludes brokerage commissions paid by the Company.



Table of Contents

**Stock Price Performance Graph**

The graph shown below compares the performance of the Company's common stock with that of the S&P 500 Index, the S&P Specialty Retail Index and the S&P Retail Composite Index over the same period (assuming the investment of \$100 in the Company's common stock and each of the three Indexes on March 1, 2008, and the reinvestment of dividends, if any).

Table of Contents**ITEM 6 SELECTED FINANCIAL DATA**

Consolidated Selected Financial Data (in thousands, except per share and selected operating data)	March 2, 2013 (2)	February 25, 2012	Fiscal Year Ended (1) February 26, 2011	February 27, 2010	February 28, 2009
<b>Statement of Earnings Data:</b>					
Net sales	\$ 10,914,585	\$ 9,499,890	\$ 8,758,503	\$ 7,828,793	\$ 7,208,340
Gross profit	4,388,755	3,930,933	3,622,929	3,208,119	2,873,236
Operating profit	1,638,218	1,568,369	1,288,458	980,687	673,896
Net earnings	1,037,788	989,537	791,333	600,033	425,123
Net earnings per share - Diluted	\$ 4.56	\$ 4.06	\$ 3.07	\$ 2.30	\$ 1.64
<b>Selected Operating Data:</b>					
Number of stores open (at period end)	1,471	1,173	1,139	1,100	1,037
Total square feet of store space (at period end)	42,030,000	36,125,000	35,055,000	33,740,000	32,050,000
Percentage increase (decrease) in comparable store sales	2.7%	5.9%	7.8%	4.4%	(2.4)%
Comparable store net sales (in 000 s)	\$ 9,819,904	\$ 9,157,183	\$ 8,339,112	\$ 7,409,203	\$ 6,746,472
Number of comparable stores	1,122	1,076	1,013	942	874
<b>Balance Sheet Data (at period end):</b>					
Working capital	\$ 2,232,275	\$ 2,803,809	\$ 2,751,398	\$ 2,413,791	\$ 1,609,831
Total assets	6,279,952	5,724,546	5,646,193	5,152,130	4,268,843
Long-term sale/leaseback and capital lease obligations	108,364(5)				
<b>Long-term debt</b>					
Shareholders' equity (3) (4)	\$ 4,079,730	\$ 3,922,528	\$ 3,931,659	\$ 3,652,904	\$ 3,000,454

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

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

(3) The Company has not declared any cash dividends in any of the fiscal years noted above.

Edgar Filing: BED BATH & BEYOND INC - Form 10-K

(4) In fiscal 2012, 2011, 2010, 2009 and 2008, the Company repurchased approximately \$1.001 billion, \$1.218 billion, \$688 million, \$95 million and \$48 million of its common stock, respectively.

(5) As a result of the Cost Plus, Inc. acquisition, the Company assumed two sale/leaseback and various capital lease obligations.

Table of Contents

**ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

OVERVIEW

Bed Bath & Beyond Inc. and subsidiaries (the Company) operates a chain of 1,471 retail stores under the names Bed Bath & Beyond (BBB), Christmas Tree Shops or andThat! (collectively, CTS), Harmon or Harmon Face Values (collectively, Harmon), buybuy BABY and World Market or Cost Plus World Market (collectively, World Market). The Company includes Linen Holdings, a distributor of a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, food service, healthcare and other industries. (See Acquisitions, Note 2 in the consolidated financial statements for the acquisitions of World Market and Linen Holdings). Additionally, the Company is a partner in a joint venture which operates three retail stores in Mexico under the name Bed Bath & Beyond. The Company accounts for its operations as two operating segments: North American Retail and Institutional Sales. The Institutional Sales operating segment, which is comprised of Linen Holdings, does not meet the quantitative thresholds under U.S. generally accepted accounting principles and therefore is not a reportable segment.

The Company sells a wide assortment of domestic merchandise and home furnishings. Domestic merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings, consumables and certain juvenile products. The Company's objective is to be a customer's first choice for products and services in the categories offered, in the markets in which the Company operates.

The Company's strategy is to achieve this objective through excellent customer service, an extensive breadth, depth and differentiated assortment, everyday low prices and introduction of new merchandising offerings, supported by the continuous development and improvement of its infrastructure.

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

The results of operations for the fiscal year ended March 2, 2013 include Linen Holdings since the date of acquisition on June 1, 2012 and World Market since the date of acquisition on June 29, 2012.

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

- Net sales in fiscal 2012 (fifty-three weeks) increased approximately 14.9% to \$10.915 billion; net sales in fiscal 2011 (fifty-two weeks) increased approximately 8.5% to \$9.500 billion over net sales of \$8.759 billion in fiscal 2010 (fifty-two weeks).

- Comparable store sales for fiscal 2012 increased by approximately 2.7% as compared with an increase of approximately 5.9% in fiscal 2011 and an increase of approximately 7.8% in fiscal 2010. Comparable store sales percentages are calculated based on an equivalent number of weeks in each annual period.

A store is considered a comparable store when it has been open for twelve full months following its grand opening period (typically four to six weeks). Stores relocated or expanded are excluded from comparable store sales if the change in square footage would cause meaningful disparity in sales over the prior period. In the case of a store to be closed, such store's sales are not considered comparable once the store closing process has commenced. Linen Holdings is excluded from the comparable store sales calculations and will continue to be excluded on an ongoing basis as long as it does not meet the above definition of comparable store sales. World Market is excluded from the comparable store sales calculations for fiscal 2012, and will continue to be excluded from the comparable store sales calculations until after the anniversary of the acquisition.

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

### Table of Contents

- Gross profit for fiscal 2012 was \$4.389 billion or 40.2% of net sales compared with \$3.931 billion or 41.4% of net sales for fiscal 2011 and \$3.623 billion or 41.4% of net sales for fiscal 2010.
- Selling, general and administrative expenses ( SG&A ) for fiscal 2012 were \$2.751 billion or 25.2% of net sales compared with \$2.363 billion or 24.9% of net sales for fiscal 2011 and \$2.334 billion or 26.7% of net sales for fiscal 2010.
- The effective tax rate was 36.5%, 37.0% and 38.8% for fiscal years 2012, 2011 and 2010, respectively. The tax rate included discrete tax items of an approximate \$26.7 million net benefit, \$20.7 million net benefit and \$0.9 million net expense, respectively, for fiscal 2012, 2011 and 2010.
- For the fiscal year ended March 2, 2013 (fifty-three weeks), net earnings per diluted share were \$4.56 (\$1.038 billion), an increase of approximately 12%, as compared with net earnings per diluted share of \$4.06 (\$989.5 million) for fiscal 2011 (fifty-two weeks), which was an increase of approximately 32% from net earnings per diluted share of \$3.07 (\$791.3 million) for fiscal 2010 (fifty-two weeks). For the fiscal year ended March 2, 2013, the increase in net earnings per diluted share is the result of the items described above, which includes an estimated \$0.05 benefit related to the fifty-third week in fiscal year 2012 and the impact of the Company's repurchases of its common stock. For the fiscal year ended February 25, 2012, the increase in net earnings per diluted share is the result of the items described above and the impact of the Company's repurchases of its common stock.

During fiscal 2012, the Company made progress in many areas, such as: the completion of the relocation of the Company's Farmingdale and Garden City, New York offices to its corporate headquarters in Union, New Jersey; the ongoing integration of the two fiscal 2012 acquisitions; enhancing the omni channel experience for its customers by replacing both back end and customer facing systems; the opening of a new distribution facility in Georgia; increasing the investment in people and systems to upgrade the Company's data and analytics capabilities; and the commencement of the initial phase of a new information technology data center to enhance the Company's disaster recovery capabilities and support its overall information technology systems.

Capital expenditures for fiscal 2012, 2011 and 2010 were \$314.7 million, \$243.4 million and \$183.5 million, respectively. The Company remains committed to making the required investments in its infrastructure to help position the Company for continued growth and success. The Company continues to review and prioritize its capital needs while continuing to make investments, principally for new stores, existing store improvements, information technology enhancements, including omni channel capabilities, and other projects whose impact is considered important to its future.

During fiscal 2012, 2011 and 2010, the Company repurchased 16.1 million, 21.5 million and 15.9 million shares, respectively, of its common stock at a total cost of approximately \$1.001 billion, \$1.218 billion and \$687.6 million, respectively.

The Company plans to continue to expand its operations and invest in its infrastructure to further its long term objectives. In fiscal 2013, the Company expects to open approximately 45 new stores with the possibility of some of these stores pushing into fiscal 2014. During fiscal 2012, the Company opened a total of 41 new stores and closed one store. Additionally, the Company acquired 258 World Market stores as of June 29, 2012.



Table of Contents

## RESULTS OF OPERATIONS

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

	Fiscal Year Ended			Percentage Change from Prior Year	
	March 2, 2013	Percentage of Net Sales February 25, 2012	February 26, 2011	March 2, 2013	February 25, 2012
Net sales	100.0%	100.0%	100.0%	14.9%	8.5%
Cost of sales	59.8	58.6	58.6	17.2	8.4
Gross profit	40.2	41.4	41.4	11.6	8.5
Selling, general and administrative expenses	25.2	24.9	26.7	16.4	1.2
Operating profit	15.0	16.5	14.7	4.5	21.7
Earnings before provision for income taxes	15.0	16.5	14.8	4.1	21.4
Net earnings	9.5	10.4	9.0	4.9	25.0

*Net Sales*

Net sales in fiscal 2012 (fifty-three weeks) increased \$1.415 billion to \$10.915 billion, representing an increase of 14.9% over \$9.500 billion of net sales in fiscal 2011 (fifty-two weeks), which increased \$741.4 million or 8.5% over the \$8.759 billion of net sales in fiscal 2010 (fifty-two weeks). For fiscal 2012, approximately 58% of the increase in net sales was attributable to the inclusion of World Market and Linen Holdings since the date of each respective acquisition through the end of the fiscal fifty-second week, approximately 13% of the increase was attributable to the fifty-third week including World Market and Linen Holdings, approximately 18% was attributable to an increase in the Company's comparable store sales and the remaining 11% of the increase was primarily attributable to an increase in the Company's new store sales. For fiscal 2011, approximately 68.6% of the increase in net sales was attributable to an increase in the Company's comparable store sales and the balance of the increase was primarily attributable to an increase in the Company's new store sales.

For fiscal 2012, comparable store sales for 1,122 stores represented \$9.820 billion of net sales; for fiscal 2011, comparable store sales for 1,076 stores represented \$9.157 billion of net sales; and for fiscal 2010, comparable store sales for 1,013 stores represented \$8.339 billion of net sales. The number of stores includes only those which constituted a comparable store for the entire respective fiscal period. The increase in comparable store sales, which excludes World Market and Linen Holdings, was approximately 2.7% for fiscal 2012, as compared with an increase of approximately 5.9% for fiscal 2011. The increase in comparable store sales for fiscal 2012 was due to an increase in the average transaction amount partially offset by a decrease in the number of transactions. The increase in comparable store sales for fiscal 2011 was due to increases in both the number of transactions and the average transaction amount. Comparable store sales percentages are calculated based on an equivalent number of weeks for each annual period.



Sales of domestics merchandise accounted for approximately 39%, 40% and 41% of net sales in fiscal 2012, 2011 and 2010, respectively, of which the Company estimates that bed linens accounted for approximately 12% of net sales in fiscal 2012, 2011 and 2010, respectively. The remaining net sales in fiscal 2012, 2011 and 2010 of 61%, 60% and 59%, respectively, represented sales of home furnishings. No other individual product category accounted for 10% or more of net sales during fiscal 2012, 2011 or 2010.

Table of Contents

*Gross Profit*

Gross profit in fiscal 2012, 2011 and 2010 was \$4.389 billion or 40.2% of net sales, \$3.931 billion or 41.4% of net sales and \$3.623 billion or 41.4% of net sales, respectively. The decrease in the gross profit margin as a percentage of net sales between fiscal 2012 and 2011 was primarily attributed to an increase in coupons, due to increases in both the redemption and the average coupon amount, and a shift in the mix of merchandise sold to lower margin categories. The gross profit margin as a percentage of net sales for fiscal 2011 included a reduction in markdowns, offset by an increase in inventory acquisition costs and a shift in the mix of merchandise sold to lower margin categories.

*Selling, General and Administrative Expenses*

SG&A was \$2.751 billion or 25.2% of net sales in fiscal 2012, \$2.363 billion or 24.9% of net sales in fiscal 2011 and \$2.334 billion or 26.7% of net sales in fiscal 2010. The increase in SG&A between fiscal 2012 and 2011 as a percentage of net sales was primarily due to a relative increase in advertising expenses. As a percentage of net sales, the relative increase in advertising expenses was higher due to the inclusion of the financial results of the acquisitions completed in fiscal 2012. In addition, the fifty-third week has relatively higher SG&A than the year to date fifty-two weeks and increased SG&A by approximately 10 basis points. The decrease in SG&A between fiscal 2011 and 2010 as a percentage of net sales was primarily due to relative decreases in payroll and payroll-related items (including salaries and medical insurance), occupancy (including rent and depreciation), advertising and store expenses, all of which benefited from the increase in comparable store sales. In addition, advertising expenses as a percentage of net sales benefited from a reduction in the mailing of advertising pieces.

*Operating Profit*

Operating profit for fiscal 2012 was \$1.638 billion or 15.0% of net sales, \$1.568 billion or 16.5% of net sales in fiscal 2011 and \$1.288 billion or 14.7% of net sales in fiscal 2010. The change in operating profit as a percentage of net sales between fiscal 2012 and 2011 was the result of the changes in gross profit margin and SG&A as a percentage of net sales as described above. The change in operating profit as a percentage of net sales between fiscal 2011 and 2010 was the result of the change in SG&A as a percentage of net sales as described above.

*Interest (Expense) Income*

Interest expense was \$4.2 million in fiscal 2012 and interest income was \$1.1 million and \$4.5 million in fiscal 2011 and 2010, respectively. Interest expense for fiscal 2012 increased primarily due to the inclusion of interest expense related to the sale/leaseback obligations on the distribution facilities acquired as part of the fiscal 2012 acquisitions.

*Income Taxes*

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

The effective tax rate was 36.5% for fiscal 2012, 37.0% for fiscal 2011 and 38.8% for fiscal 2010. For fiscal 2012, the tax rate included an approximate \$26.7 million net benefit primarily due to the recognition of favorable discrete state tax items. For fiscal 2011, the tax rate included an approximate \$20.7 million net benefit primarily due to the settlement of certain discrete tax items from on-going examinations, the recognition of favorable discrete state tax items and from changing the blended state tax rate of deferred income taxes. For fiscal 2010, the tax rate included an approximate \$0.9 million net expense primarily due to the recognition of certain discrete tax items, partially offset by the changing of the blended state tax rate of deferred income taxes.

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

Table of Contents

EXPANSION PROGRAM

The Company is engaged in an ongoing expansion program involving the opening of new stores in both new and existing markets, the expansion or relocation of existing stores and the continuous review of strategic acquisitions. In the 21-year period from the beginning of fiscal 1992 to the end of fiscal 2012, the chain has grown from 34 to 1,471 stores, including the 264 World Market stores (258 stores were acquired on June 29, 2012). Total square footage grew from approximately 0.9 million square feet at the beginning of fiscal 1992 to approximately 42.0 million square feet at the end of fiscal 2012, including the 264 World Market stores. During fiscal 2012, the Company opened a total of 41 new stores and closed one store, all of which resulted in the aggregate addition of approximately 5.9 million square feet of store space, including approximately 4.8 million square feet of store space for the 258 World Market stores acquired on June 29, 2012. Additionally, the Company is a partner in a joint venture which opened one store during fiscal 2012 and as of March 2, 2013, operated a total of three retail stores in Mexico under the name Bed Bath & Beyond.

During fiscal 2012, the Company acquired Linen Holdings and World Market.

The Company plans to continue to expand its operations and invest in its infrastructure to reach its long term objectives. In fiscal 2013, the Company expects to open approximately 45 new stores with the possibility of some of these stores pushing into fiscal 2014. The continued growth of the Company is dependent, in part, upon the Company's ability to execute its expansion program successfully. During fiscal 2012, the Company completed the relocation of its Farmingdale and Garden City, New York offices to its corporate headquarters in Union, New Jersey, which the Company believes improves the communication, collaboration, coordination and execution across all concepts, activities and platforms.

LIQUIDITY AND CAPITAL RESOURCES

The Company has been able to finance its operations, including its expansion program, entirely through internally generated funds. For fiscal 2013, the Company believes that it can continue to finance its operations, including its expansion program, share repurchase program and planned capital expenditures, entirely through existing and internally generated funds. The Company periodically reviews its alternatives with respect to optimizing its capital structure. Capital expenditures for fiscal 2013, principally for new stores, existing store improvements, information technology enhancements, including omni channel capabilities, and other projects are planned to be approximately \$350.0 million, subject to the timing and composition of the projects. Some of the initiatives included in capital expenditures for fiscal 2013 are: enhancing the omni channel experience for its customers through replacing both back end and customer facing systems, upgrading the Company's mobile sites and applications, enhancing network communications in the stores and implementing point of sale improvements; building, equipping and staffing a new information technology data center to enhance disaster recovery capabilities and to support the Company's ongoing technology initiatives; and retrofitting energy saving equipment in the stores.

*Fiscal 2012 compared to Fiscal 2011*

Net cash provided by operating activities in fiscal 2012 was \$1.193 billion, compared with \$1.225 billion in fiscal 2011. Year over year, the Company experienced an increase in cash used by the net components of working capital (primarily merchandise inventories, other current assets and accrued expenses and other current liabilities, partially offset by accounts payable and income taxes payable) and an increase in net

earnings.

Retail inventory at cost per square foot was \$58.12 as of March 2, 2013, as compared to \$57.35 as of February 25, 2012.

Net cash used in investing activities in fiscal 2012 was \$665.8 million, compared with \$364.0 million in fiscal 2011. In fiscal 2012, net cash used in investing activities was due to payments of \$643.1 million related to the World Market and Linen Holdings acquisitions, \$314.7 million for capital expenditures and \$40.0 million for the acquisition of trademarks, partially offset by redemptions of \$332.0 million of investment securities, net of purchases. In fiscal 2011, net cash used in investing activities was due to \$243.4 million of capital expenditures and \$120.6 million of purchases of investment securities, net of redemptions.

Table of Contents

Net cash used in financing activities for fiscal 2012 was \$965.4 million, compared with \$1.042 billion in fiscal 2011. The decrease in net cash used was primarily due to a decrease in common stock repurchases of \$216.7 million, partially offset by a \$114.7 million decrease in cash proceeds from the exercise of stock options and a \$25.5 million payment for a credit facility assumed in acquisition.

*Fiscal 2011 compared to Fiscal 2010*

Net cash provided by operating activities in fiscal 2011 was \$1.225 billion, compared with \$987.4 million in fiscal 2010. Year-over-year, the Company experienced an increase in net earnings, partially offset by an increase in cash used for the net components of working capital (primarily accounts payable and income taxes payable, partially offset by merchandise inventories).

Inventory per square foot was \$57.35 as of February 25, 2012, as compared to \$56.17 as of February 26, 2011.

Net cash used in investing activities in fiscal 2011 was \$364.0 million, compared with \$341.0 million in fiscal 2010. In fiscal 2011, net cash used in investing activities was due to \$243.4 million of capital expenditures and \$120.6 million of purchases of investment securities, net of redemptions. In fiscal 2010, net cash used in investing activities was due to \$157.5 million of purchases of investment securities, net of redemptions, and \$183.5 million of capital expenditures.

Net cash used in financing activities for fiscal 2011 was \$1.042 billion, compared with \$559.0 million in fiscal 2010. The increase in net cash used was primarily due to a \$530.4 million increase in common stock repurchases partially offset by a \$45.4 million increase in cash proceeds from the exercise of stock options.

*Auction Rate Securities*

As of March 2, 2013, the Company held approximately \$49.0 million of net investments in auction rate securities. Beginning in mid-February 2008, the auction process for the Company's auction rate securities failed and continues to fail. These failed auctions result in a lack of liquidity in the securities but do not affect the underlying collateral of the securities. All of these investments carry triple-A credit ratings from one or more of the major credit rating agencies. As of March 2, 2013, these securities had a temporary valuation adjustment of approximately \$2.0 million to reflect their current lack of liquidity. Since this valuation adjustment is deemed to be temporary, it was recorded in accumulated other comprehensive loss, net of a related tax benefit, and did not affect the Company's net earnings for fiscal 2012.

During fiscal 2012, approximately \$8.5 million of auction rate securities were redeemed at par and approximately \$24.3 million were tendered at a price of approximately 95% of par value, for which the Company incurred a realized loss of approximately \$1.1 million included within interest (expense) income, net in the consolidated statement of earnings for fiscal 2012. Prior to these tenders, all redemptions of these securities had been at par. The Company will continue to monitor the market for these securities and will expense any permanent changes to the value of the remaining securities, if any, as they occur.

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

The Company does not anticipate that any continuing lack of liquidity in its auction rate securities will affect its ability to finance its operations, including its expansion program, share repurchase program, and planned capital expenditures. The Company continues to monitor efforts by the financial markets to find alternative means for restoring the liquidity of these investments. These investments will remain primarily classified as non-current assets until the Company has better visibility as to when their liquidity will be restored. The classification and valuation of these securities will continue to be reviewed quarterly.

Table of Contents*Other Fiscal 2012 Information*

At March 2, 2013, the Company maintained two uncommitted lines of credit of \$100 million each, with expiration dates of September 1, 2013 and February 28, 2014, respectively. These uncommitted lines of credit are currently and are expected to be used for letters of credit in the ordinary course of business. During fiscal 2012, the Company did not have any direct borrowings under the uncommitted lines of credit. As of March 2, 2013, there was approximately \$11.6 million of outstanding letters of credit. Although no assurances can be provided, the Company intends to renew both uncommitted lines of credit before the respective expiration dates. In addition, as of March 2, 2013, the Company maintained unsecured standby letters of credit of \$76.2 million, primarily for certain insurance programs.

Between December 2004 and December 2012, the Company's Board of Directors authorized, through share repurchase programs, the repurchase of \$7.450 billion of the Company's common stock.

Since 2004 through the end of fiscal 2012, the Company has repurchased approximately \$5.0 billion of its common stock through share repurchase programs. The Company has approximately \$2.4 billion remaining of authorized share repurchases as of March 2, 2013. The execution of the Company's share repurchase program will consider current business and market conditions.

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

The Company has contractual obligations consisting mainly of operating leases for stores, offices, distribution facilities and equipment, purchase obligations, long-term sale/leaseback and capital lease obligations and other long-term liabilities which the Company is obligated to pay as of March 2, 2013 as follows:

(in thousands)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating Lease Obligations (1)	\$ 3,353,145	\$ 561,104	\$ 971,468	\$ 727,632	\$ 1,092,941
Purchase Obligations (2)	969,151	969,151			
Long-term sale/leaseback and capital lease obligations(3)	352,262	9,877	19,689	19,921	302,775
Other long-term liabilities (4)	456,648				
<b>Total Contractual Obligations</b>	<b>\$ 5,131,206</b>	<b>\$ 1,540,132</b>	<b>\$ 991,157</b>	<b>\$ 747,553</b>	<b>\$ 1,395,716</b>

(1) The amounts presented represent the future minimum lease payments under non-cancelable operating leases. In addition to minimum rent, certain of the Company's leases require the payment of additional costs for insurance, maintenance and other costs. These additional amounts are not included in the table of contractual commitments as the timing and/or amounts of such payments are not known. As of March 2, 2013, the Company has leased sites for 31 locations planned for opening in fiscal 2013 or 2014, for which aggregate minimum rental payments over the term of the leases are approximately \$140.1 million and are included in the table above.



(2) Purchase obligations primarily consist of purchase orders for merchandise.

(3) Long-term sale/leaseback and capital lease obligations represent future minimum lease payments under the sale/leaseback agreements and capital lease agreements, acquired through the World Market acquisition.

(4) Other long-term liabilities are primarily comprised of income taxes payable, deferred rent, workers' compensation and general liability reserves and various other accruals and are recorded as Deferred Rent and Other Liabilities and Income Taxes Payable in the Consolidated Balance Sheet as of March 2, 2013. The amounts associated with these other long-term liabilities have been reflected only in the Total Column in the table above as the timing and/or amount of any cash payment is uncertain.

Table of Contents

SEASONALITY

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

RECENT ACCOUNTING PRONOUNCEMENTS

In September 2011, the Financial Accounting Standards Board ( FASB ) issued updated accounting guidance related to testing goodwill for impairment. This guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. During the fourth quarter of fiscal 2012, the Company adopted this guidance. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In July 2012, the FASB issued updated accounting guidance related to testing indefinite lived intangible assets for impairment. This guidance permits an entity to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the fair value of an indefinite lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform the annual impairment analysis. This guidance is effective for annual and interim indefinite lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. During the fourth quarter of fiscal 2012, the Company adopted this guidance. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

INFLATION

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

CRITICAL ACCOUNTING POLICIES

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

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

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

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

Table of Contents

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

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

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

*Goodwill and Other Indefinite Lived Intangible Assets:* The Company reviews goodwill and other intangibles that have indefinite lives for impairment annually or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. Impairment testing is based upon the best information available including estimates of fair value which incorporate assumptions marketplace participants would use in making their estimates of fair value. The Company has not historically recorded an impairment to its goodwill and other indefinite lived intangible assets. As of March 2, 2013, for goodwill related to the Institutional Sales operating segment and certain other indefinite lived intangible assets, the Company assessed qualitative factors in order to determine whether any events and circumstances existed which indicated that it was more likely than not that the fair value of these indefinite lived intangible assets did not exceed its carrying value and concluded no such events or circumstances existed which would require an impairment test being performed. Additionally, the Company completed its annual impairment testing related to goodwill for the North American Retail operating segment, which is the reporting unit, and certain other indefinite lived intangible assets, not considered in the qualitative analysis, and determined that, as of March 2, 2013, no impairment existed because the fair value of these assets substantially exceeded their carrying values. In the future, if events or market conditions affect the estimated fair value to the extent that an asset is impaired, the Company will adjust the carrying value of these assets in the period in which the impairment occurs.

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

*Litigation:* The Company records an estimated liability related to its various claims and legal actions arising in the ordinary course of business when and to the extent that it concludes a liability is probable and the amount of the loss can be reasonably estimated. Such estimated loss is based on available information and advice from outside counsel, where appropriate. As additional information becomes available, the Company reassesses the potential liability related to claims and legal actions and revises its estimated liabilities, as appropriate. The Company expects the

ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. The Company also cannot predict the nature and validity of claims which could be asserted in the future, and future claims could have a material impact on its earnings.

Table of Contents

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

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

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

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

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

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

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

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

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

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

Table of Contents

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

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

**FORWARD-LOOKING STATEMENTS**

This Form 10-K and Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company's actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include, without limitation: general economic conditions including the housing market, a challenging overall macroeconomic environment and related changes in the retailing environment, consumer preferences and spending habits; demographics and other macroeconomic factors that may impact the level of spending for the types of merchandise sold by the Company; civil disturbances and terrorist attacks; unusual weather patterns and natural disasters; competition from existing and potential competitors; competition from other channels of distribution; pricing pressures; the ability to attract and retain qualified employees in all areas of the organization; the cost of labor, merchandise and other costs and expenses; the ability to find suitable locations at acceptable occupancy costs and other terms to support the Company's expansion program; uncertainty in financial markets; disruptions to the Company's information technology systems including but not limited to security breaches of the Company's systems protecting consumer and employee information; reputational risk arising from the acts of third parties; changes to statutory, regulatory and legal requirements; new, or developments in existing, litigation, claims or assessments; changes to, or new, tax laws or interpretation of existing tax laws; changes to, or new, accounting standards including, without limitation, changes to lease accounting standards; and the integration of acquired businesses. The Company does not undertake any obligation to update its forward-looking statements.

**ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As of March 2, 2013, the Company's investments include cash and cash equivalents of approximately \$565.0 million, short term investment securities of approximately \$449.9 million and long term investment securities of approximately \$77.3 million at weighted average interest rates of 0.01%, 0.09% and 0.18%, respectively.

As of March 2, 2013, the Company held approximately \$49.0 million of net investments in auction rate securities. Beginning in mid-February 2008, the auction process for the Company's auction rate securities failed and continues to fail. These failed auctions result in a lack of liquidity in the securities but do not affect the underlying collateral of the securities. All of these investments carry triple-A credit ratings from one or more of the major credit rating agencies. As of March 2, 2013, these securities had a temporary valuation adjustment of approximately \$2.0 million to reflect their current lack of liquidity. Since this valuation adjustment is deemed to be temporary, it was recorded in accumulated other comprehensive loss, net of a related tax benefit, and did not affect the Company's net earnings for fiscal 2012.

During fiscal 2012, approximately \$8.5 million of auction rate securities were redeemed at par and approximately \$24.3 million were tendered at a price of approximately 95% of par value, for which the Company incurred a realized loss of approximately \$1.1 million included within



## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

interest (expense) income, net in the consolidated statement of earnings for fiscal 2012. Prior to these tenders, all redemptions of these securities had been at par. The Company will continue to monitor the market for these securities and will expense any permanent changes to the value of the remaining securities, if any, as they occur.

Table of Contents

The Company does not anticipate that any continuing lack of liquidity in its auction rate securities will affect its ability to finance its operations, including its expansion program, share repurchase program, and planned capital expenditures. The Company continues to monitor efforts by the financial markets to find alternative means for restoring the liquidity of these investments. These investments will remain primarily classified as non-current assets until the Company has better visibility as to when their liquidity will be restored. The classification and valuation of these securities will continue to be reviewed quarterly.

Table of Contents

**ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The following are included herein:

- 1) Consolidated Balance Sheets as of March 2, 2013 and February 25, 2012
- 2) Consolidated Statements of Earnings for the fiscal years ended March 2, 2013, February 25, 2012 and February 26, 2011
- 3) Consolidated Statements of Comprehensive Income for the fiscal years ended March 2, 2013, February 25, 2012 and February 26, 2011
- 4) Consolidated Statements of Shareholders' Equity for the fiscal years ended March 2, 2013, February 25, 2012 and February 26, 2011
- 5) Consolidated Statements of Cash Flows for the fiscal years ended March 2, 2013, February 25, 2012 and February 26, 2011
- 6) Notes to Consolidated Financial Statements
- 7) Reports of Independent Registered Public Accounting Firm

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

	March 2, 2013	February 25, 2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 564,971	\$ 1,003,166
Short term investment securities	449,933	756,389
Merchandise inventories	2,466,214	2,071,890
Other current assets	386,367	311,494
<b>Total current assets</b>	<b>3,867,485</b>	<b>4,142,939</b>
Long term investment securities	77,325	95,785
Property and equipment, net	1,466,667	1,198,255
Goodwill	483,518	198,749
Other assets	384,957	88,818
<b>Total assets</b>	<b>\$ 6,279,952</b>	<b>\$ 5,724,546</b>
<b>Liabilities and Shareholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 913,365	\$ 752,064
Accrued expenses and other current liabilities	393,094	329,174
Merchandise credit and gift card liabilities	251,481	209,646
Current income taxes payable	77,270	48,246
<b>Total current liabilities</b>	<b>1,635,210</b>	<b>1,339,130</b>
Deferred rent and other liabilities	484,868	339,266
Income taxes payable	80,144	123,622
<b>Total liabilities</b>	<b>2,200,222</b>	<b>1,802,018</b>
Commitments and contingencies		
Shareholders equity:		
Preferred stock - \$0.01 par value; authorized - 1,000 shares; no shares issued or outstanding		
Common stock - \$0.01 par value; authorized - 900,000 shares; issued 332,696 and 330,576 shares, respectively; outstanding 221,489 and 235,515 shares, respectively	3,327	3,306
Additional paid-in capital	1,540,451	1,417,337
Retained earnings	7,573,612	6,535,824
Treasury stock, at cost	(5,033,340)	(4,032,060)
Accumulated other comprehensive loss	(4,320)	(1,879)
<b>Total shareholders equity</b>	<b>4,079,730</b>	<b>3,922,528</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 6,279,952</b>	<b>\$ 5,724,546</b>

*See accompanying Notes to Consolidated Financial Statements.*

Table of Contents**Consolidated Statements of Earnings***Bed Bath & Beyond Inc. and Subsidiaries*

(in thousands, except per share data)	March 2, 2013	FISCAL YEAR ENDED February 25, 2012	February 26, 2011
Net sales	\$ 10,914,585	\$ 9,499,890	\$ 8,758,503
Cost of sales	6,525,830	5,568,957	5,135,574
Gross profit	4,388,755	3,930,933	3,622,929
Selling, general and administrative expenses	2,750,537	2,362,564	2,334,471
Operating profit	1,638,218	1,568,369	1,288,458
Interest (expense) income, net	(4,159)	1,119	4,520
Earnings before provision for income taxes	1,634,059	1,569,488	1,292,978
Provision for income taxes	596,271	579,951	501,645
Net earnings	\$ 1,037,788	\$ 989,537	\$ 791,333
Net earnings per share - Basic	\$ 4.62	\$ 4.12	\$ 3.11
Net earnings per share - Diluted	\$ 4.56	\$ 4.06	\$ 3.07
Weighted average shares outstanding - Basic	224,623	240,016	254,297
Weighted average shares outstanding - Diluted	227,723	243,890	258,079

*See accompanying Notes to Consolidated Financial Statements.*

Table of Contents

**Consolidated Statements of Comprehensive Income**

*Bed Bath & Beyond Inc. and Subsidiaries*

(in thousands)	March 2, 2013	FISCAL YEAR ENDED February 25, 2012	February 26, 2011
Net earnings	\$ 1,037,788	\$ 989,537	\$ 791,333
Other comprehensive (loss) income:			
Change in temporary impairment of auction rate securities, net of taxes	1,017	(297)	(663)
Pension adjustment, net of taxes	146	(4,596)	343
Currency translation adjustment	(3,604)	(2,086)	4,692
Other comprehensive (loss) income	(2,441)	(6,979)	4,372
Comprehensive income	\$ 1,035,347	\$ 982,558	\$ 795,705

*See accompanying Notes to Consolidated Financial Statements.*

Table of Contents**Consolidated Statements of Shareholders Equity***Bed Bath & Beyond Inc. and Subsidiaries*

(in thousands)	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount			Shares	Amount		
Balance at February 27, 2010	320,553	\$ 3,206	\$ 1,020,515	\$ 4,754,954	(57,655)	\$ (2,126,499)	\$ 728	\$ 3,652,904
Net earnings				791,333				791,333
Other comprehensive (loss) income							4,372	4,372
Shares sold under employee stock option plans, net of taxes	3,804	38	125,058					125,096
Issuance of restricted shares, net	863	9	(9)					
Stock-based compensation expense, net			45,465					45,465
Director fees paid in stock	2		94					94
Repurchase of common stock, including fees					(15,901)	(687,605)		(687,605)
Balance at February 26, 2011	325,222	3,253	1,191,123	5,546,287	(73,556)	(2,814,104)	5,100	3,931,659
Net earnings				989,537				989,537
Other comprehensive (loss) income							(6,979)	(6,979)
Shares sold under employee stock option plans, net of taxes	4,645	46	179,546					179,592
Issuance of restricted shares, net	706	7	(7)					
Stock-based compensation expense, net			46,501					46,501
Director fees paid in stock	3		174					174
Repurchase of common stock, including fees					(21,505)	(1,217,956)		(1,217,956)
Balance at February 25, 2012	330,576	3,306	1,417,337	6,535,824	(95,061)	(4,032,060)	(1,879)	3,922,528



Edgar Filing: BED BATH & BEYOND INC - Form 10-K

Net earnings				1,037,788				1,037,788
Other comprehensive (loss) income							(2,441)	(2,441)
Shares sold under employee stock option plans, net of taxes	1,489	15	74,323					74,338
Issuance of restricted shares, net	626	6	(6)					
Stock-based compensation expense, net			48,520					48,520
Director fees paid in stock	5		277					277
Repurchase of common stock, including fees					(16,146)	(1,001,280)		(1,001,280)
<b>Balance at March 2, 2013</b>	<b>332,696</b>	<b>\$ 3,327</b>	<b>\$ 1,540,451</b>	<b>\$ 7,573,612</b>	<b>(111,207)</b>	<b>\$ (5,033,340)</b>	<b>\$ (4,320)</b>	<b>\$ 4,079,730</b>

See accompanying Notes to Consolidated Financial Statements.

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

(in thousands)	March 2, 2013	FISCAL YEAR ENDED February 25, 2012	February 26, 2011
<b>Cash Flows from Operating Activities:</b>			
Net earnings	\$ 1,037,788	\$ 989,537	\$ 791,333
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	194,728	183,873	183,820
Stock-based compensation	47,163	45,223	44,276
Tax benefit from stock-based compensation	13,217	63	(3,453)
Deferred income taxes	17,600	30,238	(15,988)
Other	702	(1,622)	(1,757)
(Increase) decrease in assets, net of effect of acquisitions:			
Merchandise inventories	(198,407)	(102,983)	(209,204)
Trading investment securities	(6,206)	(4,538)	(5,469)
Other current assets	(43,585)	24,948	(17,736)
Other assets	(9,685)	900	(2,899)
Increase (decrease) in liabilities, net of effect of acquisitions:			
Accounts payable	105,251	31,582	102,307
Accrued expenses and other current liabilities	(26,412)	19,822	29,809
Merchandise credit and gift card liabilities	36,888	16,585	20,257
Income taxes payable	6,598	(37,392)	25,456
Deferred rent and other liabilities	17,350	29,048	46,655
Net cash provided by operating activities	1,192,990	1,225,284	987,407
<b>Cash Flows from Investing Activities:</b>			
Purchase of held-to-maturity investment securities	(730,976)	(1,605,851)	(1,511,555)
Redemption of held-to-maturity investment securities	1,031,249	1,456,250	1,286,270
Redemption of available-for-sale investment securities	31,715	28,975	24,975
Redemption of trading investment securities			42,825
Capital expenditures	(314,682)	(243,374)	(183,474)
Payment for acquisitions, net of cash acquired	(643,098)		
Payment for acquisition of trademarks	(40,000)		
Net cash used in investing activities	(665,792)	(364,000)	(340,959)
<b>Cash Flows from Financing Activities:</b>			
Proceeds from exercise of stock options	56,377	171,088	125,700
Excess tax benefit from stock-based compensation	5,021	5,163	2,944
Payment for credit facility assumed in acquisition	(25,511)		
Repurchase of common stock, including fees	(1,001,280)	(1,217,956)	(687,605)
Net cash used in financing activities	(965,393)	(1,041,705)	(558,961)
Net (decrease) increase in cash and cash equivalents	(438,195)	(180,421)	87,487
<b>Cash and cash equivalents:</b>			
Beginning of period	1,003,166	1,183,587	1,096,100
End of period	\$ 564,971	\$ 1,003,166	\$ 1,183,587

*See accompanying Notes to Consolidated Financial Statements.*

Table of Contents

**Notes to Consolidated Financial Statements**

*Bed Bath & Beyond Inc. and Subsidiaries*

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

A. Nature of Operations

Bed Bath & Beyond Inc. and subsidiaries (the Company) operates a chain of retail stores under the names Bed Bath & Beyond (BBB), Christmas Tree Shops or andThat! (collectively, CTS), Harmon or Harmon Face Values (collectively, Harmon), buybuy BABY and World Market or Cost Plus World Market (collectively, World Market). The Company includes Linen Holdings, a distributor of a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, food service, healthcare and other industries. Additionally, the Company is a partner in a joint venture which operates three retail stores in Mexico under the name Bed Bath & Beyond. The Company sells a wide assortment of domestics merchandise and home furnishings. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings, consumables and certain juvenile products. As the Company operates in the retail industry, its results of operations are affected by general economic conditions and consumer spending habits.

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

B. Fiscal Year

The Company's fiscal year is comprised of the 52 or 53 week period ending on the Saturday nearest February 28. Accordingly, fiscal 2012 represented 53 weeks and ended on March 2, 2013; fiscal 2011 and fiscal 2010 represented 52 weeks and ended on February 25, 2012 and February 26, 2011, respectively.

C. Principles of Consolidation

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

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

D. Use of Estimates

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

E. Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. Included in cash and cash equivalents are credit and debit card receivables from banks, which typically settle within 5 business days, of \$87.8 million and \$67.1 million as of March 2, 2013 and February 25, 2012, respectively.

Table of Contents

F. Investment Securities

Investment securities consist primarily of U.S. Treasury Bills with remaining maturities of less than one year and auction rate securities, which are securities with interest rates that reset periodically through an auction process. The U.S. Treasury Bills are classified as short term held-to-maturity securities and are stated at their amortized cost which approximates fair value. Auction rate securities are classified as available-for-sale and are stated at fair value, which had historically been consistent with cost or par value due to interest rates which reset periodically, typically every 7, 28 or 35 days. As a result, there generally were no cumulative gross unrealized holding gains or losses relating to these auction rate securities. However, beginning in mid-February 2008 due to market conditions, the auction process for the Company's auction rate securities failed and continues to fail. These failed auctions result in a lack of liquidity in the securities, and affect their estimated fair values at March 2, 2013 and February 25, 2012, but do not affect the underlying collateral of the securities. (See Fair Value Measurements, Note 5 and Investment Securities, Note 6). All income from these investments is recorded as interest income.

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

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

G. Inventory Valuation

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

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

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

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

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

H. Property and Equipment

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

Table of Contents

The cost of maintenance and repairs is charged to earnings as incurred; significant renewals and betterments are capitalized. Maintenance and repairs amounted to \$106.1 million, \$85.8 million and \$90.2 million for fiscal 2012, 2011 and 2010, respectively.

I. Impairment of Long-Lived Assets

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

J. Goodwill and Other Indefinite Lived Intangible Assets

The Company reviews goodwill and other intangibles that have indefinite lives for impairment annually or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. Impairment testing is based upon the best information available, including estimates of fair value which incorporate assumptions marketplace participants would use in making their estimates of fair value. The Company has not historically recorded an impairment to its goodwill and other indefinite lived intangible assets. As of March 2, 2013, for goodwill related to the Institutional Sales operating segment and certain other indefinite lived intangible assets, the Company assessed qualitative factors in order to determine whether any events and circumstances existed which indicated that it was more likely than not that the fair value of these indefinite lived intangible assets did not exceed its carrying value and concluded no such events or circumstances existed which would require an impairment test being performed. Additionally, the Company completed its annual impairment testing of goodwill for the North American Retail operating segment, which is the reporting unit, and other indefinite lived intangible assets, not considered in the qualitative analysis, and determined that, as of March 2, 2013, no impairment existed because the fair value of these assets substantially exceeded their carrying values. In the future, if events or market conditions affect the estimated fair value to the extent that an asset is impaired, the Company will adjust the carrying value of these assets in the period in which the impairment occurs.

Included within other assets in the accompanying consolidated balance sheets as of March 2, 2013 and February 25, 2012 are \$291.4 million and \$30.9 million, respectively, for indefinite lived tradenames and trademarks.

K. Self Insurance

The Company utilizes a combination of insurance and self insurance for a number of risks including workers' compensation, general liability, automobile liability and employee related health care benefits (a portion of which is paid by its employees). Liabilities associated with the risks that the Company retains are estimated by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions. Although the Company's claims experience has not displayed substantial volatility in the past, actual experience could materially



## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

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

Table of Contents

L. Deferred Rent

The Company accounts for scheduled rent increases contained in its leases on a straight-line basis over the term of the lease beginning as of the date the Company obtained possession of the leased premises. Deferred rent amounted to \$80.2 million and \$77.9 million as of March 2, 2013 and February 25, 2012, respectively.

Cash or lease incentives ( tenant allowances ) received pursuant to certain store leases are recognized on a straight-line basis as a reduction to rent over the lease term. The unamortized portion of tenant allowances is included in deferred rent and other liabilities. The unamortized portion of tenant allowances amounted to \$126.1 million and \$120.1 million as of March 2, 2013 and February 25, 2012, respectively.

M. Treasury Stock

Between December 2004 and December 2012, the Company s Board of Directors authorized, through share repurchase programs, the repurchase of \$7.450 billion of the Company s common stock.

During fiscal 2012, the Company repurchased approximately 16.1 million shares of its common stock at a total cost of approximately \$1.001 billion. During fiscal 2011, the Company repurchased approximately 21.5 million shares of its common stock at a total cost of approximately \$1.218 billion. During fiscal 2010, the Company repurchased approximately 15.9 million shares of its common stock at a total cost of approximately \$687.6 million. The Company has approximately \$2.4 billion remaining of authorized share repurchases as of March 2, 2013.

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

N. Fair Value of Financial Instruments

The Company s financial instruments include cash and cash equivalents, investment securities, accounts payable and certain other liabilities. The Company s investment securities consist primarily of U.S. Treasury securities, which are stated at amortized cost, and auction rate securities, which are stated at their approximate fair value. The book value of all financial instruments is representative of their fair values (See Fair Value Measurements, Note 5).

O. Revenue Recognition

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

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

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

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

Table of Contents

P. Cost of Sales

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

Q. Vendor Allowances

The Company receives allowances from vendors in the normal course of business for various reasons including direct cooperative advertising, purchase volume and reimbursement for other expenses. Annual terms for each allowance include the basis for earning the allowance and payment terms, which vary by agreement. All vendor allowances are recorded as a reduction of inventory cost, except for direct cooperative advertising allowances which are specific, incremental and identifiable. The Company recognizes purchase volume allowances as a reduction of the cost of inventory in the quarter in which milestones are achieved. Advertising costs were reduced by direct cooperative allowances of \$19.8 million, \$19.5 million and \$17.6 million for fiscal 2012, 2011 and 2010, respectively.

R. Store Opening, Expansion, Relocation and Closing Costs

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

S. Advertising Costs

Expenses associated with direct response advertising are expensed over the period during which the sales are expected to occur, generally four to seven weeks, and all other expenses associated with store advertising are charged to earnings as incurred. Net advertising costs amounted to \$250.6 million, \$192.5 million and \$198.3 million for fiscal 2012, 2011 and 2010, respectively.

T. Stock-Based Compensation

The Company measures all employee stock-based compensation awards using a fair value method and records such expense in its consolidated financial statements. The Company adopted the accounting guidance related to stock compensation on August 28, 2005 (the date of adoption) under the modified prospective application. Under this application, the Company records stock-based compensation expense for all awards granted on or after the date of adoption and for the portion of previously granted awards that remained unvested at the date of adoption. Currently, the Company's stock-based compensation relates to restricted stock awards and stock options. The Company's restricted stock awards are considered nonvested share awards.

U. Income Taxes

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

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

Table of Contents

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

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

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

V. Earnings per Share

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

Stock-based awards of approximately 1.2 million, 0.9 million and 1.5 million shares were excluded from the computation of diluted earnings per share as the effect would be anti-dilutive for fiscal 2012, 2011 and 2010, respectively.

W. Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ( FASB ) issued updated accounting guidance related to testing goodwill for impairment. This guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. During the fourth quarter of fiscal 2012, the Company adopted this guidance. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In July 2012, the FASB issued updated accounting guidance related to testing indefinite lived intangible assets for impairment. This guidance permits an entity to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the fair value of an indefinite lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform the annual impairment analysis. This guidance is effective for annual and interim indefinite lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. During the fourth quarter of fiscal 2012, the

Edgar Filing: BED BATH & BEYOND INC - Form 10-K

Company adopted this guidance. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Table of Contents**2. ACQUISITIONS**

On June 1, 2012, the Company acquired Linen Holdings, LLC (Linen Holdings), a distributor of a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, food service, healthcare and other industries, for an aggregate purchase price of approximately \$108.1 million. The preliminary purchase price includes approximately \$24.0 million for tradenames and approximately \$40.8 million for goodwill. Linen Holdings is included within the Institutional Sales operating segment. The Company is in the process of finalizing the valuation of certain assets acquired and liabilities assumed; thus, the amounts are subject to change until the anniversary of the acquisition.

Since the date of acquisition, the results of Linen Holdings' operations, which are not material, have been included in the Company's results of operations for the fiscal year ended March 2, 2013.

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

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

(in millions)	As of June 29, 2012	
Current assets	\$	222.0
Property and equipment and other non-current assets		135.8
Intangible assets		211.6
Goodwill		244.0
<b>Total assets acquired</b>		<b>813.4</b>
Accounts payable and other liabilities		(252.9)
Borrowings under credit facility		(25.5)
<b>Total liabilities acquired</b>		<b>(278.4)</b>
<b>Total net assets acquired</b>	<b>\$</b>	<b>535.0</b>

Included within intangible assets above is approximately \$196.5 million for tradenames, which is not subject to amortization. The tradenames and goodwill are not expected to be deductible for tax purposes.

Since the date of acquisition, the results of World Market's operations, which are not material, have been included in the Company's results of operations for the fiscal year ended March 2, 2013 and no proforma disclosure of financial information has been presented.





Table of Contents**3. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

(in thousands)	March 2, 2013	February 25, 2012
Land and buildings	\$ 488,602	\$ 316,953
Furniture, fixtures and equipment	1,068,786	960,565
Leasehold improvements	1,099,991	1,024,954
Computer equipment and software	613,087	504,641
	<b>3,270,466</b>	<b>2,807,113</b>
Less: Accumulated depreciation	<b>(1,803,799)</b>	<b>(1,608,858)</b>
Property and equipment, net	\$ 1,466,667	\$ 1,198,255

**4. LINES OF CREDIT**

At March 2, 2013, the Company maintained two uncommitted lines of credit of \$100 million each, with expiration dates of September 1, 2013 and February 28, 2014, respectively. These uncommitted lines of credit are currently and are expected to be used for letters of credit in the ordinary course of business. During fiscal 2012 and 2011, the Company did not have any direct borrowings under the uncommitted lines of credit. As of March 2, 2013, there was approximately \$11.6 million of outstanding letters of credit. Although no assurances can be provided, the Company intends to renew both uncommitted lines of credit before the respective expiration dates. In addition, as of March 2, 2013, the Company maintained unsecured standby letters of credit of \$76.2 million, primarily for certain insurance programs. As of February 25, 2012, there was approximately \$8.5 million of outstanding letters of credit and approximately \$61.3 million of outstanding unsecured standby letters of credit, primarily for certain insurance programs.

**5. FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation approaches, including quoted market prices and discounted cash flows. The hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect a company's judgment concerning the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The fair value hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical instruments that the Company is able to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant

degree of judgment.

- Level 2 Valuations based on quoted prices in active markets for instruments that are similar, or quoted prices in markets that are not active for identical or similar instruments, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Table of Contents

- Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

As of March 2, 2013, the Company's financial assets utilizing Level 1 inputs include long term investment securities traded on active securities exchanges. The Company did not have any financial assets utilizing Level 2 inputs. Financial assets utilizing Level 3 inputs included long term investments in auction rate securities consisting of preferred shares of closed end municipal bond funds (See Investment Securities, Note 6).

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the Company's degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset or liability must be classified in its entirety based on the lowest level of input that is significant to the measurement of fair value.

Valuation techniques used by the Company must be consistent with at least one of the three possible approaches: the market approach, income approach and/or cost approach. The Company's Level 1 valuations are based on the market approach and consist primarily of quoted prices for identical items on active securities exchanges. The Company's Level 3 valuations of auction rate securities, which had temporary valuation adjustments of approximately \$2.0 million and \$3.7 million as of March 2, 2013 and February 25, 2012, respectively, are based on the income approach, specifically, discounted cash flow analyses which utilize significant inputs based on the Company's estimates and assumptions. As of March 2, 2013, the inputs used in the Company's discounted cash flow analysis included current coupon rates of 0.18%, an estimated redemption period of 5 years and a discount rate of 0.99%. The discount rate was based on market rates for risk-free tax-exempt securities, as adjusted for a risk premium to reflect the lack of liquidity of these investments. Assuming a higher discount rate, a longer estimated redemption period and lower coupon rates would result in a lower fair market value. Conversely, assuming a lower discount rate, a shorter estimated redemption period and higher coupon rates would result in a higher fair market value.

The following tables present the valuation of the Company's financial assets as of March 2, 2013 and February 25, 2012, measured at fair value on a recurring basis by input level:

(in millions)	As of March 2, 2013		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)	Total
Long term - available-for-sale securities:			
Auction rate securities	\$	\$ 49.0	\$ 49.0
Long term - trading securities:			
Nonqualified deferred compensation plan assets	28.3		28.3
Total	\$ 28.3	\$ 49.0	\$ 77.3

Table of Contents

(in millions)	Quoted Prices (Level 1)	As of February 25, 2012 Significant (Level 3)	Total
Short term - available-for-sale securities:			
Auction rate securities	\$	\$ 6.5	\$ 6.5
Long term - available-for-sale securities:			
Auction rate securities	\$	\$ 73.7	\$ 73.7
Long term - trading securities:			
Nonqualified deferred compensation plan assets	22.1		22.1
Total	\$ 22.1	\$ 80.2	\$ 102.3

The following table presents the changes in the Company's financial assets that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

(in millions)	Auction Rate Securities
Balance on February 25, 2012, net of temporary valuation adjustment	\$ 80.2
Change in temporary valuation adjustment included in accumulated other comprehensive loss	1.6
Realized loss included in earnings (1)	(1.1)
Redemptions	(31.7)
Balance on March 2, 2013, net of temporary valuation adjustment	\$ 49.0

(1) None of the losses for the period that are included in earnings relate to assets still held on March 2, 2013.

## 6. INVESTMENT SECURITIES

The Company's investment securities as of March 2, 2013 and February 25, 2012 are as follows:

(in millions)	March 2, 2013	February 25, 2012
Available-for-sale securities:		
Short term	\$	\$ 6.5
Long term	49.0	73.7
Trading securities:		
Long term	28.3	22.1
Held-to-maturity securities:		
Short term	449.9	749.9
Total investment securities	\$ 527.2	\$ 852.2

### *Auction Rate Securities*

As of March 2, 2013 and February 25, 2012, the Company's available-for-sale investment securities represented approximately \$51.0 million and approximately \$83.9 million par value of auction rate securities, respectively, less temporary valuation adjustments of approximately \$2.0 million and \$3.7 million, respectively. Since these valuation adjustments are deemed to be temporary, they are recorded in accumulated other comprehensive loss, net of a related tax benefit, and did not affect the Company's net earnings. These securities at par are invested in preferred shares of closed end municipal bond funds, which are required, pursuant to the Investment Company Act of 1940, to maintain minimum asset coverage ratios of 200%. All of these available-for-sale investments carried triple-A credit ratings from one or more of the major credit rating agencies as of March 2, 2013 and February 25, 2012, and none of them are mortgage-backed debt obligations. As of March 2, 2013 and February 25, 2012, the Company's available-for-sale investments have been in a continuous unrealized loss position for 12 months or more, however, the Company believes that the unrealized losses are temporary and reflect the investments' current lack of liquidity. Due to their lack of liquidity, the Company classified approximately \$49.0 million and \$73.7 million of these investments as long term investment securities at March 2, 2013 and February 25, 2012, respectively. During fiscal 2012, approximately \$8.5 million of these securities were redeemed at par and approximately \$24.3 million were tendered at a price of approximately 95% of par value, for which the Company incurred a realized loss of approximately \$1.1 million included within interest (expense) income, net in the consolidated statement of earnings for fiscal 2012.

Table of Contents*U.S. Treasury Securities*

As of March 2, 2013 and February 25, 2012, the Company's short term held-to-maturity securities included approximately \$449.9 million and approximately \$749.9 million, respectively, of U.S. Treasury Bills with remaining maturities of less than one year. These securities are stated at their amortized cost which approximates fair value, which is based on quoted prices in active markets for identical instruments (i.e., Level 1 valuation).

*Long Term Trading Investment Securities*

The Company's long term trading investment securities, which are provided as investment options to the participants of the nonqualified deferred compensation plan, are stated at fair market value. The values of these trading investment securities included in the table above are approximately \$28.3 million and \$22.1 million as of March 2, 2013 and February 25, 2012, respectively.

**7. PROVISION FOR INCOME TAXES**

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

(in thousands)	FISCAL YEAR ENDED		
	March 2, 2013	February 25, 2012	February 26, 2011
<b>Current:</b>			
Federal	\$ 522,812	\$ 475,280	\$ 426,956
State and local	55,889	74,438	90,689
	<b>578,701</b>	<b>549,718</b>	<b>517,645</b>
<b>Deferred:</b>			
Federal	15,710	28,695	(7,698)
State and local	1,860	1,538	(8,302)
	<b>17,570</b>	<b>30,233</b>	<b>(16,000)</b>
	\$ <b>596,271</b>	\$ 579,951	\$ 501,645

At March 2, 2013 and February 25, 2012, included in other current assets is a net current deferred income tax asset of \$212.7 million and \$209.4 million, respectively, and included in other assets is a net noncurrent deferred income tax asset of \$36.0 million and \$43.7 million, respectively. These amounts represent the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets and liabilities consist of the following:





Table of Contents

(in thousands)	March 2, 2013	February 25, 2012
Deferred tax assets:		
Inventories	\$ 33,699	\$ 33,058
Deferred rent and other rent credits	82,123	78,292
Insurance	55,070	53,607
Stock-based compensation	33,486	37,633
Merchandise credits and gift card liabilities	22,683	12,376
Accrued expenses	81,069	80,012
Obligations on distribution centers	42,024	
Net operating loss carryforwards and other tax credits	42,506	
Other	57,129	47,422
Deferred tax liabilities:		
Depreciation	(40,276)	(25,510)
Goodwill	(42,719)	(36,590)
Intangibles	(78,106)	
Other	(39,957)	(27,228)
	\$ 248,731	\$ 253,072

At March 2, 2013, as a result of the World Market acquisition (See Acquisitions, Note 2), the Company has federal net operating loss carryforwards of \$22.3 million (tax effected), which will begin expiring in 2025, state net operating loss carryforwards of \$9.3 million (tax effected), which will expire between 2012 and 2031, California state enterprise zone credit carryforwards of \$9.9 million (tax effected), which have no expiration dates but require taxable income in the enterprise zone to be realizable and other tax credits of \$1.0 million (tax effected).

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

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

(in thousands)	March 2, 2013	February 25, 2012
Balance at beginning of year	\$ 124,963	\$ 141,869
Increase related to current year positions	24,892	23,286
Increase related to prior year positions	1,183	12,533
Decrease related to prior year positions	(36,104)	(33,191)
Settlements	(15,670)	(17,822)
Lapse of statute of limitations	(1,372)	(1,712)
Balance at end of year	\$ 97,892	\$ 124,963

Table of Contents

At March 2, 2013, the Company has recorded approximately \$17.8 million and \$80.1 million of gross unrecognized tax benefits in current and non-current taxes payable, respectively, on the consolidated balance sheet of which approximately \$97.4 million would impact the Company's effective tax rate. At February 25, 2012, the Company has recorded approximately \$1.4 million and \$123.6 million of gross unrecognized tax benefits in current and non-current taxes payable, respectively, on the consolidated balance sheet of which approximately \$123.3 million would impact the Company's effective tax rate. As of March 2, 2013 and February 25, 2012, the liability for gross unrecognized tax benefits included approximately \$18.9 million and \$27.1 million, respectively, of accrued interest. The Company recorded a decrease of interest of approximately \$4.9 million and an increase of interest of approximately \$2.3 million for the years ended March 2, 2013 and February 25, 2012, respectively, for gross unrecognized tax benefits in the consolidated statement of earnings.

The Company anticipates that any adjustments to gross unrecognized tax benefits which will impact income tax expense, due to the expiration of statutes of limitations, could be approximately \$17.0 to \$18.0 million in the next twelve months. However, actual results could differ from those currently anticipated.

As of March 2, 2013, the Company operated in all 50 states, the District of Columbia, Puerto Rico, Canada and several other international countries and files income tax returns in the United States and various state, local and international jurisdictions. The Company is currently under examination by the Internal Revenue Service for tax years 2009 through 2011. The Company is also open to examination for state and local jurisdictions with varying statutes of limitations, generally ranging from three to five years.

For fiscal 2012, the effective tax rate is comprised of the Federal statutory income tax rate of 35.00%, the State income tax rate, net of Federal benefit, of 2.93%, provision for uncertain tax positions of 0.07% and other income tax benefits of 1.50%. For fiscal 2011, the effective tax rate is comprised of the Federal statutory income tax rate of 35.00%, the State income tax rate, net of Federal benefit, of 2.90%, provision for uncertain tax positions of 0.23% and other income tax benefits of 1.13%. For fiscal 2010, the effective tax rate is comprised of the Federal statutory income tax rate of 35.00%, the State income tax rate, net of Federal benefit, of 2.77%, provision for uncertain tax positions of 1.86% and other income tax benefits of 0.83%.

**8. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

In fiscal 2002, the Company had an interest in certain life insurance policies on the lives of its Co-Chairmen and their spouses. The Company's interest in these policies was equivalent to the net premiums paid by the Company. The agreements relating to the Company's interest in the life insurance policies on the lives of its Co-Chairmen and their spouses were terminated in fiscal 2003. Upon termination in fiscal 2003, the Co-Chairmen paid to the Company \$5.4 million, representing the total amount of premiums paid by the Company under the agreements and the Company was released from its contractual obligation to make substantial future premium payments. In order to confer a benefit to its Co-Chairmen in substitution for the aforementioned terminated agreements, the Company has agreed to pay to the Co-Chairmen, at a future date, an aggregate amount of \$4.2 million, which is included in accrued expenses and other current liabilities as of March 2, 2013 and February 25, 2012.

**9. LEASES**

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

The Company leases retail stores, as well as distribution facilities, offices and equipment, under agreements expiring at various dates through 2041. Certain leases provide for contingent rents (which are based upon store sales exceeding stipulated amounts and are immaterial in fiscal 2012, 2011 and 2010), scheduled rent increases and renewal options. The Company is obligated under a majority of the leases to pay for taxes, insurance and common area maintenance charges.

Table of Contents

As of March 2, 2013, future minimum lease payments under non-cancelable operating leases were as follows:

(in thousands)	Operating Leases
Fiscal Year:	
2013	\$ 561,104
2014	514,717
2015	456,751
2016	397,763
2017	329,869
Thereafter	1,092,941
Total future minimum lease payments	\$ 3,353,145

Expenses for all operating leases were \$536.1 million, \$456.2 million and \$442.2 million for fiscal 2012, 2011 and 2010, respectively.

As a result of the World Market acquisition on June 29, 2012 and in addition to the amounts disclosed above, the Company assumed various capital lease obligations. As of March 2, 2013, the capital lease obligations are approximately \$4.4 million, for which the current and long-term portions are included within accrued expenses and other current liabilities and deferred rent and other liabilities, respectively, in the consolidated balance sheet. Monthly lease payments are accounted for as principal and interest payments. Interest expense for all capital leases was \$0.4 million for fiscal 2012. The minimum capital lease payments, including interest, by fiscal year are: \$1.1 million in fiscal 2013, \$0.9 million in fiscal 2014, \$0.8 million in fiscal 2015, \$0.8 million in fiscal 2016, \$0.7 million in fiscal 2017 and \$3.2 million thereafter.

As a result of the World Market acquisition on June 29, 2012 and in addition to the amounts disclosed above, the Company assumed two sale/leaseback agreements and recorded financing obligations, which approximated the discounted fair value of the minimum lease payments, had a residual fair value at the end of the lease term and are being amortized over the term of the respective agreements, including option periods, of 32 and 35 years. As of March 2, 2013, the sale/leaseback financing obligations are approximately \$105.9 million, for which the current and long-term portions are included within accrued expenses and other current liabilities and deferred rent and other liabilities, respectively, in the consolidated balance sheet. Monthly lease payments are accounted for as principal and interest payments (at approximate annual interest rates of 7.2% and 10.6%). These sale/leaseback financing obligations, excluding the residual fair value at the end of the lease term, mature as follows: \$0.6 million in fiscal 2013, \$0.6 million in fiscal 2014, \$0.7 million in fiscal 2015, \$0.7 million in fiscal 2016, \$0.8 million in fiscal 2017 and \$78.9 million thereafter.

## 10. EMPLOYEE BENEFIT PLANS

### *Defined Contribution Plans*

The Company has five defined contribution savings plans covering all eligible employees of the Company (the Plans). During fiscal 2011, a 401(k) savings plan was merged into one of the Plans. Participants of the Plans may defer annual pre-tax compensation subject to statutory and Plan limitations. In addition, a certain percentage of an employee's contributions are matched by the Company and vest over a specified period of time, subject to certain statutory and Plan limitations. The Company's match was approximately \$10.9 million, \$9.4 million and \$8.6 million for fiscal 2012, 2011 and 2010, respectively, which was expensed as incurred.

*Nonqualified Deferred Compensation Plan*

The Company has a nonqualified deferred compensation plan ( NQDC ) for the benefit of employees defined by the Internal Revenue Service as highly compensated. Participants of the NQDC may defer annual pre-tax compensation subject to statutory and plan limitations. In addition, a certain percentage of an employee s contributions may be matched by the Company and vest over a specified period of time, subject to certain plan limitations. The Company s match was approximately \$0.5 million, \$0.4 million and \$0.4 million in fiscal 2012, 2011 and 2010, respectively, which was expensed as incurred.

Table of Contents

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

*Defined Benefit Plan*

The Company has a non-contributory defined benefit pension plan for the CTS employees, hired on or before July 31, 2003, who meet specified age and length-of-service requirements. The benefits are based on years of service and the employee's compensation near retirement. The Company recognizes the overfunded or underfunded status of the pension plan as an asset or liability in its statement of financial position and recognizes changes in the funded status in the year in which the changes occur. For the years ended March 2, 2013, February 25, 2012 and February 26, 2011, the net periodic pension cost was not material to the Company's results of operations. The Company has a \$14.4 million and \$14.6 million liability, which is included in deferred rent and other liabilities as of March 2, 2013 and February 25, 2012, respectively. In addition, as of March 2, 2013 and February 25, 2012, the Company recognized a loss of \$3.8 million, net of taxes of \$2.5 million, and a loss of \$3.9 million, net of taxes of \$2.6 million, respectively, within accumulated other comprehensive loss.

**11. COMMITMENTS AND CONTINGENCIES**

The Company maintains employment agreements with its Co-Chairmen, which extend through June 30, 2013. The agreements provide for a base salary (which may be increased by the Board of Directors), termination payments, postretirement benefits and other terms and conditions of employment. In addition, the Company maintains employment agreements with other executives which provide for severance pay and, in some instances, certain other supplemental retirement benefits.

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

**12. SUPPLEMENTAL CASH FLOW INFORMATION**

The Company paid income taxes of \$550.6 million, \$568.6 million and \$487.4 million in fiscal 2012, 2011 and 2010, respectively. In addition, the Company had interest payments of approximately \$6.0 million in fiscal 2012. The amount of interest paid by the Company in fiscal 2011 was not material and the Company did not have any interest payments in fiscal 2010.

Edgar Filing: BED BATH & BEYOND INC - Form 10-K

The Company recorded an accrual for capital expenditures of \$37.0 million, \$28.8 million and \$17.8 million as of March 2, 2013, February 25, 2012 and February 26, 2011, respectively.

Table of Contents

**13. STOCK-BASED COMPENSATION**

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

Stock-based compensation expense for the fiscal year ended March 2, 2013, February 25, 2012 and February 26, 2011 was approximately \$47.2 million (\$30.0 million after tax or \$0.13 per diluted share), \$45.2 million (\$28.5 million after tax or \$0.12 per diluted share) and approximately \$44.3 million (\$27.1 million after tax or \$0.10 per diluted share), respectively. In addition, the amount of stock-based compensation cost capitalized for each of the years ended March 2, 2013 and February 25, 2012 was approximately \$1.3 million.

*Incentive Compensation Plans*

During fiscal 2012, the Company adopted the Bed Bath & Beyond 2012 Incentive Compensation Plan (the 2012 Plan), which amended and restated the Bed Bath & Beyond 2004 Incentive Compensation Plan (the 2004 Plan). The 2012 Plan generally incorporates the provisions of the 2004 Plan and also includes an increase in the aggregate number of common shares authorized for issuance by 14.3 million shares for a total of 43.2 million shares authorized for issuance and the ability to grant incentive stock options. Outstanding awards that were covered by the 2004 Plan will continue to be in effect under the 2012 Plan.

The 2012 Plan is a flexible compensation plan that enables the Company to offer incentive compensation through stock options (whether nonqualified stock options or incentive stock options), restricted stock awards, stock appreciation rights, performance awards and other stock based awards, including cash awards. Under the 2012 Plan, grants are determined by the Compensation Committee for those awards granted to executive officers and by an appropriate committee for all other awards granted. Awards of stock options and restricted stock generally vest in five equal annual installments beginning one to three years from the date of grant.

The Company generally issues new shares for stock option exercises and restricted stock awards. As of March 2, 2013, unrecognized compensation expense related to the unvested portion of the Company's stock options and restricted stock awards was \$23.5 million and \$115.4 million, respectively, which is expected to be recognized over a weighted average period of 2.8 years and 3.6 years, respectively.

*Stock Options*

Stock option grants are issued at fair market value on the date of grant and generally become exercisable in either three or five equal annual installments beginning one year from the date of grant for options issued since May 10, 2010, and beginning one to three years from the date of grant for options issued prior to May 10, 2010, in each case, subject, in general to the recipient remaining in the Company's employ or service on specified vesting dates. Option grants expire eight years after the date of grant for stock options issued since May 10, 2004, and expire ten years after the date of grant for stock options issued prior to May 10, 2004. All option grants are nonqualified.



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

Table of Contents

Black-Scholes Valuation Assumptions (1)	FISCAL YEAR ENDED		
	March 2, 2013	February 25, 2012	February 26, 2011
Weighted Average Expected Life (in years) (2)	6.5	6.2	6.1
Weighted Average Expected Volatility (3)	31.07%	30.59%	33.70%
Weighted Average Risk Free Interest Rates (4)	1.14%	2.34%	2.56%
Expected Dividend Yield			

(1) Forfeitures are estimated based on historical experience.

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

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

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

Changes in the Company's stock options for the fiscal year ended March 2, 2013 were as follows:

(Shares in thousands)	Number of Stock Options	Weighted Average Exercise Price
Options outstanding, beginning of period	5,998	\$ 38.96
Granted	503	68.57
Exercised	(1,489)	37.67
Forfeited or expired	(6)	37.38
Options outstanding, end of period	5,006	\$ 42.32
Options exercisable, end of period	3,155	\$ 38.20

The weighted average fair value for the stock options granted in fiscal 2012, 2011 and 2010 was \$22.95, \$19.65 and \$17.05, respectively. The weighted average remaining contractual term and the aggregate intrinsic value for options outstanding as of March 2, 2013 was 3.5 years and \$79.2 million, respectively. The weighted average remaining contractual term and the aggregate intrinsic value for options exercisable as of March 2, 2013 was 2.3 years and \$59.1 million, respectively. The total intrinsic value for stock options exercised during fiscal 2012, 2011 and 2010 was \$38.8 million, \$101.5 million and \$50.5 million, respectively.

Net cash proceeds from the exercise of stock options for fiscal 2012 were \$56.4 million and the net associated income tax benefit was \$18.2 million.

*Restricted Stock*

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

Restricted stock awards are issued and measured at fair market value on the date of grant and generally become vested in five equal annual installments beginning one to three years from the date of grant, subject, in general, to the recipient remaining in the Company's employ or service on specified vesting dates. Vesting of restricted stock awarded to certain of the Company's executives is dependent on the Company's achievement of a performance-based test for the fiscal year of grant and, assuming achievement of the performance-based test, time vesting, subject, in general, to the executive remaining in the Company's employ on specified vesting dates. The Company recognizes compensation expense related to these awards based on the assumption that the performance-based test will be achieved. Vesting of restricted stock awarded to the Company's other employees is based solely on time vesting.

Table of Contents

Changes in the Company's restricted stock for the fiscal year ended March 2, 2013 were as follows:

(Shares in thousands)	Number of Restricted Shares	Weighted Average Grant-Date Fair Value
Unvested restricted stock, beginning of period	4,421	\$ 39.54
Granted	809	68.00
Vested	(984)	35.68
Forfeited	(183)	43.17
Unvested restricted stock, end of period	4,063	\$ 45.98

**14. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)**

(in thousands, except per share data)	FISCAL 2012 QUARTER ENDED				FISCAL 2011 QUARTER ENDED			
	May 26, 2012	August 25, 2012	November 24, 2012	March 2, 2013	May 28, 2011	August 27, 2011	November 26, 2011	February 25, 2012
Net sales	\$ 2,218,292	\$ 2,593,015	\$ 2,701,801	\$ 3,401,477	\$ 2,109,951	\$ 2,314,064	\$ 2,343,561	\$ 2,732,314
Gross profit	887,199	1,032,669	1,074,010	1,394,877	857,572	950,999	958,693	1,163,669
Operating profit	313,398	365,137	361,649	598,034	288,948	371,636	357,020	550,765
Earnings before provision for income taxes	312,342	365,406	358,527	597,784	289,500	369,764	356,418	553,806
Provision for income taxes	105,506	141,076	125,777	223,912	108,922	140,392	127,874	202,763
Net earnings	\$ 206,836	\$ 224,330	\$ 232,750	\$ 373,872	\$ 180,578	\$ 229,372	\$ 228,544	\$ 351,043
EPS-Basic (1)	\$ 0.90	\$ 0.99	\$ 1.04	\$ 1.70	\$ 0.74	\$ 0.94	\$ 0.96	\$ 1.50
EPS-Diluted (1)	\$ 0.89	\$ 0.98	\$ 1.03	\$ 1.68	\$ 0.72	\$ 0.93	\$ 0.95	\$ 1.48

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

Table of Contents

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders

Bed Bath & Beyond Inc.:

We have audited the accompanying consolidated balance sheets of Bed Bath & Beyond Inc. and subsidiaries as of March 2, 2013 and February 25, 2012, and the related consolidated statements of earnings, comprehensive income, shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended March 2, 2013. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bed Bath & Beyond Inc. and subsidiaries as of March 2, 2013 and February 25, 2012, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended March 2, 2013, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Bed Bath & Beyond Inc.'s internal control over financial reporting as of March 2, 2013, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 30, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP  
Short Hills, New Jersey  
April 30, 2013

Table of Contents

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

The Board of Directors and Shareholders

Bed Bath & Beyond Inc.:

We have audited Bed Bath & Beyond Inc. and subsidiaries (the Company) internal control over financial reporting as of March 2, 2013, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting, appearing in Item 9A, Controls and Procedures. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 2, 2013, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

Bed Bath & Beyond Inc. acquired Linen Holdings, LLC on June 1, 2012 and Cost Plus, Inc. on June 29, 2012 (the Acquired Companies ), and management excluded from its assessment of the effectiveness of Bed Bath & Beyond Inc. s internal control over financial reporting as of March 2, 2013, the Acquired Companies internal control over financial reporting associated with total assets of \$839.1 million (of which \$533.1 million represented goodwill and intangible assets included within the scope of the assessment) and total net sales of \$840.4 million included in the consolidated financial statements of Bed Bath & Beyond Inc. as of and for the fiscal year ended March 2, 2013. Our audit of internal control over financial reporting of Bed Bath & Beyond Inc. also excluded an evaluation of the internal control over financial reporting of the Acquired Companies.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Bed Bath & Beyond Inc. and subsidiaries as of March 2, 2013 and February 25, 2012, and the related consolidated statements of earnings, comprehensive income, shareholders equity, and cash flows and the related financial statement schedule for each of the fiscal years in the three-year period ended March 2, 2013, and our report dated April 30, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP  
Short Hills, New Jersey  
April 30, 2013

Table of Contents

**ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A CONTROLS AND PROCEDURES**

(a) Disclosure Controls and Procedures

Based on their evaluation as of March 2, 2013, our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective to ensure that the information required to be disclosed by our management in the reports that it files or submits under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

(b) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our management assessed the effectiveness of our internal control over financial reporting as of March 2, 2013. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ) in Internal Control-Integrated Framework.

Pursuant to the Securities and Exchange Commission's guidance, a recently acquired business may be omitted from the scope of the assessment of the effectiveness of internal control over financial reporting in the year of acquisition, and therefore the recently acquired businesses, as described in Note 2 to the consolidated financial statements, have been excluded. Included in the consolidated financial statements, as of and for the fiscal year ended March 2, 2013, are total assets of the acquired businesses of approximately \$839.1 million (of which \$533.1 million represented goodwill and intangible assets included within the scope of the assessment) and total net sales of the acquired businesses of approximately \$840.4 million.

Our management has concluded that, as of March 2, 2013, our internal control over financial reporting is effective based on these criteria.

(c) Attestation Report of the Independent Registered Public Accounting Firm



## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

KPMG LLP issued an audit report on the effectiveness of our internal control over financial reporting, which is included herein.

### (d) Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the quarter ended March 2, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The Company's disclosure controls and procedures are designed to provide such reasonable assurance of achieving their objectives, and the Company's Principal Executive Officer and Principal Financial Officer have concluded that the Company's disclosure controls and procedures are effective at that reasonable assurance level.

Table of Contents

**ITEM 9B OTHER INFORMATION**

None.

Table of Contents

**PART III**

**ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

(a) Directors of the Company

Information relative to Directors of the Company is set forth under the section captioned "Election of Directors" in the registrant's definitive Proxy Statement for the 2013 Annual Meeting of Shareholders ( "the Proxy Statement" ) and is incorporated herein by reference.

(b) Executive Officers of the Company

Information with respect to Executive Officers of the Company is set forth in Part I, Item 1.

(c) Information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 is set forth under the section captioned "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement and is incorporated herein by reference.

(d) Information on our audit committee and the audit committee financial expert is set forth under the section captioned "Audit Committee" in the Proxy Statement and is incorporated herein by reference.

(e) The Company has adopted a code of ethics entitled "Policy Of Ethical Standards For Business Conduct" that applies to all of its employees, including Executive Officers, and the Board of Directors, the complete text of which is available through the Investor Relations section of the Company's website, [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com).

**ITEM 11 EXECUTIVE COMPENSATION**

The information required by this item is set forth under the section captioned "Executive Compensation" in the Proxy Statement and is incorporated herein by reference.



Table of Contents**ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS**

The Equity Plan Compensation Information required by this item is included below; all other information required by this item is in the Proxy Statement and is incorporated herein by reference.

The following table provides certain information as of March 2, 2013 with respect to the Company's equity compensation plans:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> (a)	<b>Weighted-average exercise price of outstanding options, warrants and rights</b> (b)	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b> (c)
Equity compensation plans approved by shareholders (1)			
Stock Options	4,922,910	42.36	26,319,558
Equity compensation plans not approved by shareholders (2)			
Stock Options	82,760	39.66	
Total (3)	5,005,670	42.32	26,319,558

(1) These plans consist of the Company's 1996, 1998 and 2000 Stock Option Plans and the 2012 Incentive Compensation Plan, which amended and restated the 2004 Incentive Compensation Plan. Upon the original adoption of the 2012 Incentive Compensation Plan in 2004 and pursuant to its terms, the common stock available under the Company's 1996, 1998 and 2000 Stock Option Plans became available for issuance under the 2012 Incentive Compensation Plan.

(2) This plan consists of the Company's 2001 Stock Option Plan. Upon the original adoption of the 2012 Incentive Compensation Plan in 2004 and pursuant to its terms, the common stock available for issuance under the 2001 Stock Option Plan became available for issuance under the 2012 Incentive Compensation Plan and therefore has been approved by the shareholders.

(3) Any shares of common stock that are subject to awards of options or stock appreciation rights under the 2012 Incentive Compensation Plan shall be counted against the aggregate number of shares of common stock that may be issued as one share for every share issued. Any shares of common stock that are subject to awards other than options or stock appreciation rights, including restricted stock awards, shall be counted against this limit as 2.20 shares for every share granted.

**ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item is set forth under the sections captioned Director Independence and Certain Relationships and Related Transactions in the Proxy Statement and is incorporated herein by reference.

**ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this item is in the Proxy Statement and is incorporated herein by reference from the Proxy Statement.

Table of Contents

**PART IV**

**ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a) (1) Consolidated Financial Statements of Bed Bath & Beyond Inc. and subsidiaries are incorporated under Item 8 of this Form 10-K.

(a) (2) **Financial Statement Schedules**

For the Fiscal Years Ended March 2, 2013, February 25, 2012 and February 26, 2011.

Schedule II Valuation and Qualifying Accounts

(a) (3) **Exhibits**

The exhibits to this Report are listed in the Exhibit Index included elsewhere herein.

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**BED BATH & BEYOND INC.**

**By:** */s/ Steven H. Temares*  
**Steven H. Temares**  
**Chief Executive Officer**  
 April 30, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Signature</b>	<b>Capacity</b>	<b>Date</b>
<i>/s/ Warren Eisenberg</i> <b>Warren Eisenberg</b>	Co-Chairman and Director	April 30, 2013
<i>/s/ Leonard Feinstein</i> <b>Leonard Feinstein</b>	Co-Chairman and Director	April 30, 2013
<i>/s/ Steven H. Temares</i> <b>Steven H. Temares</b>	Chief Executive Officer and Director	April 30, 2013
<i>/s/ Eugene A. Castagna</i> <b>Eugene A. Castagna</b>	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	April 30, 2013
<i>/s/ Dean S. Adler</i> <b>Dean S. Adler</b>	Director	April 30, 2013
<i>/s/ Stanley Barshay</i> <b>Stanley Barshay</b>	Director	April 30, 2013
<i>/s/ Klaus Eppler</i> <b>Klaus Eppler</b>	Director	April 30, 2013
<i>/s/ Patrick R. Gaston</i> <b>Patrick R. Gaston</b>	Director	April 30, 2013
<i>/s/ Jordan Heller</i> <b>Jordan Heller</b>	Director	April 30, 2013
<i>/s/ Victoria A. Morrison</i> <b>Victoria A. Morrison</b>	Director	April 30, 2013





Table of Contents

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

**Schedule II - Valuation and Qualifying Accounts**

**Fiscal Years Ended March 2, 2013, February 25, 2012 and February 26, 2011**

(amounts in millions)

<b>Column A</b>	<b>Column B</b>	<b>Column C</b>	<b>Column C</b>	<b>Column D</b>	<b>Column E</b>
<b>Description</b>	<b>Balance at</b>	<b>Additions</b>	<b>Additions</b>	<b>Adjustments</b>	<b>Balance at</b>
	<b>Beginning of</b>	<b>Charged to</b>	<b>Charged to</b>	<b>and/or</b>	<b>End of</b>
	<b>Period</b>	<b>Income</b>	<b>Other Accounts</b>	<b>Deductions</b>	<b>Period</b>
Sales Returns and Allowance					
Year Ended:					
March 2, 2013	\$ 37.6	\$ 625.1	\$	\$ 622.7	\$ 40.0
February 25, 2012	32.4	593.4		588.2	37.6
February 26, 2011	29.0	545.7		542.3	32.4

Table of Contents

**EXHIBIT INDEX**

Unless otherwise indicated, exhibits are incorporated by reference to the correspondingly numbered exhibits to the Company's Registration Statement on Form S-1 (Commission File No. 33-47250).

<b>Exhibit No.</b>	<b>Exhibit</b>
3.1	Restated Certificate of Incorporation
3.2	Certificate of Amendment to the Company's Certificate of Incorporation (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q/A for the quarter ended August 25, 1996)
3.3	Certificate of Amendment to the Company's Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 30, 1997)
3.4	Certificate of Change of Bed Bath & Beyond Inc. under Section 805-A of the Business Corporation Law (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 30, 1997)
3.5	Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 3.6 to the Company's Form 10-K for the year ended February 27, 1999)
3.6	Certificate of Amendment of Certificate of Incorporation of the Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 1, 2001)
3.7	Certificate of Amendment of Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K dated July 1, 2009)
3.8	Amended By-Laws of Bed Bath & Beyond Inc. (as amended effective as of September 23, 2009) (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K dated September 29, 2009)
10.1*	Stock Option Agreement between the Company and Warren Eisenberg, dated as of August 26, 1997 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 30, 1997)
10.2*	Stock Option Agreement between the Company and Leonard Feinstein, dated as of August 26, 1997 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 30, 1997)
10.3*	Company's 1992 Stock Option Plan, as amended through August 26, 1997 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 30, 1997)
10.4*	Company's 1996 Stock Option Plan, as amended through August 26, 1997 (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 30, 1997)
10.5*	Employment Agreement between the Company and Steven H. Temares (dated as of December 1, 1994) (incorporated by reference to Exhibit 10.16 to the Company's Form 10-K for the year ended February 28, 1998)

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

### Table of Contents

- 10.6\* Form of Employment Agreement between the Company and the Chief Merchandising Officer and Senior Vice President and Senior Vice President Stores (dated as of December 1, 1994) (incorporated by reference to Exhibit 10.17 to the Company's Form 10-K for the year ended February 28, 1998)
- 10.7\* Company's 1998 Stock Option Plan (incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 30, 1998)
- 10.8\* Stock Option Agreement between the Company and Warren Eisenberg, dated as of August 13, 1999 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 27, 1999)
- 10.9\* Stock Option Agreement between the Company and Leonard Feinstein, dated as of August 13, 1999 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 27, 1999)
- 10.10\* Form of Standard Stock Option Agreement (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 27, 1999)
- 10.11\* Company's 2000 Stock Option Plan (incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 27, 2000 which is incorporated by reference to Exhibit A to the Registrant's Proxy Statement dated May 22, 2000)
- 10.12\* Form of Standard Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 26, 2000)
- 10.13\* Company's 2001 Stock Option Plan (incorporated by reference to Exhibit 10.29 to the Company's Form 10-K for the year ended March 3, 2001)
- 10.14\* Form of Standard Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 1, 2002)
- 10.15\* Form of Standard Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 2002)
- 10.16\* Agreement Terminating Agreements concerning Split Dollar Life Insurance Plan, dated May 9, 1994 and June 16, 1995, among the Company, Jay D. Waxenberg, as trustee of the Warren Eisenberg Life Insurance Trust, Warren Eisenberg and Maxine Eisenberg (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended November 29, 2003)
- 10.17\* Agreement Terminating Agreements concerning Split Dollar Life Insurance Plan, dated May 9, 1994 and June 16, 1995, among the Company, Jay D. Waxenberg, as trustee of the Leonard Joseph Feinstein Life Insurance Trust and Leonard Feinstein (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended November 29, 2003)
- 10.18\* Compensation Agreement concerning Substitute Benefit Payments upon Termination of Split Dollar Life Insurance Plan between the Company and Warren Eisenberg, dated as of February 27, 2004 (incorporated by reference to Exhibit 10.20 to the Company's Form 10-K for the year ended February 28, 2004)

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

### Table of Contents

- 10.19\* Compensation Agreement concerning Substitute Benefit Payments upon Termination of Split Dollar Life Insurance Plan between the Company and Leonard Feinstein, dated as of February 27, 2004 (incorporated by reference to Exhibit 10.21 to the Company's Form 10-K for the year ended February 28, 2004)
- 10.20\* Employment Agreement between the Company and Eugene A. Castagna (dated as of March 1, 2000) (incorporated by reference to Exhibit 10.22 to the Company's Form 10-K for the year ended February 28, 2004)
- 10.21\* Company's 2004 Incentive Compensation Plan (incorporated by reference to Exhibit B to the Registrant's Proxy Statement dated May 28, 2004)
- 10.22\* Form of Standard Stock Option Agreement dated as of May 10, 2004 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended May 29, 2004)
- 10.23\* Form of Stock Option Agreement under 2004 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended August 28, 2004)
- 10.24\* Form of Restricted Stock Agreement under 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended May 28, 2005)
- 10.25\* Performance-Based Form of Restricted Stock Agreement under 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended May 28, 2005)
- 10.26\* Form of Stock Option Agreement under 2004 Stock Option Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended August 27, 2005)
- 10.27\* Company's Nonqualified Deferred Compensation Plan (effective January 1, 2006) (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated January 5, 2006)
- 10.28\* Addendum to Stock Option Agreements for Warren Eisenberg, Leonard Feinstein and Steven H. Temares, dated as of December 27, 2006 (incorporated by reference to Exhibit 10.31 to the Company's Form 10-K for the year ended March 3, 2007)
- 10.29\* Addendum to Stock Option Agreements for Eugene A. Castagna, Matthew Fiorilli and Arthur Stark dated December 28, 2006 (incorporated by reference to Exhibit 10.32 to the Company's Form 10-K for the year ended March 3, 2007)
- 10.30\* Amended and Restated Employment Agreement between the Company and Warren Eisenberg, dated as of December 31, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended November 29, 2008)
- 10.31\* Amended and Restated Employment Agreement between the Company and Leonard Feinstein, dated as of December 31, 2008 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended November 29, 2008)

## Edgar Filing: BED BATH & BEYOND INC - Form 10-K

### Table of Contents

10.32*	Bed Bath & Beyond Inc. Policy on Recovery of Incentive Compensation (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended May 30, 2009)
10.33*	Performance-Based Form of Restricted Stock Agreement under 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended May 30, 2009)
10.34*	Form of Amendment to Employment Agreement of Steven H. Temares, Eugene A. Castagna, Matthew Fiorilli and Arthur Stark, dated May, 2007 in the case of Messrs. Temares, Fiorilli and Stark, and July, 2007 in the case of Mr. Castagna (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended August 29, 2009)
10.35*	Amended and Restated Supplemental Executive Retirement Benefit Agreement between the Company and Steven H. Temares, dated November 16, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated November 19, 2009)
10.36*	Escrow Agreement with Respect to Supplemental Executive Retirement Benefit Agreement between the Company and Steven H. Temares, dated November 16, 2009 (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated November 19, 2009)
10.37*	Amendment dated as of August 13, 2010 to Amended and Restated Employment Agreement between the Company and Warren Eisenberg, dated as of December 31, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended August 28, 2010)
10.38*	Amendment dated as of August 13, 2010 to Amended and Restated Employment Agreement between the Company and Leonard Feinstein, dated as of December 31, 2008 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended August 28, 2010)
10.39**	Performance-Based Form of Restricted Stock Agreement under 2012 Stock Incentive Plan
10.40**	Form of Stock Option Agreement under 2012 Stock Option Plan
10.41**	Notice of Amendment to Restricted Stock Agreements, dated on or before June 11, 2012
21**	Subsidiaries of the Company Commission File No. 33-1
23**	Consent of Independent Registered Public Accounting Firm
31.1**	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
31.2**	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
32**	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002
101.INS	XBRL Instance Document

Table of Contents

101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

---

\* This is a management contract or compensatory plan or arrangement.  
\*\* Filed herewith.