

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended November 29, 2008

Commission File Number 0-20214

**BED BATH & BEYOND INC.**

(Exact name of registrant as specified in its charter)

**New York**

(State of incorporation)

**11-2250488**

(IRS Employer Identification No.)

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

(Address of principal executive offices) (Zip Code)

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

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 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 ☐ (Do not check if a smaller reporting company)

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 ☒

**Number of shares outstanding of the issuer's Common Stock:**

Class
Common Stock - \$0.01 par value

Outstanding at November 29, 2008
259,725,366

**BED BATH & BEYOND INC. AND SUBSIDIARIES**

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

	November 29, 2008	March 1, 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 233,356	\$ 224,084
Short term investment securities	4,000	—
Merchandise inventories	1,920,481	1,616,981
Other current assets	332,321	238,646
Total current assets	2,490,158	2,079,711
Long term investment securities	230,910	326,004
Property and equipment, net	1,134,802	1,121,906
Other assets	339,520	316,472
Total assets	<u>\$ 4,195,390</u>	<u>\$ 3,844,093</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 613,217	\$ 570,605
Accrued expenses and other current liabilities	267,882	258,989
Merchandise credit and gift card liabilities	165,837	171,252
Current income taxes payable	7,753	13,266
Total current liabilities	1,054,689	1,014,112
Deferred rent and other liabilities	206,465	192,778
Income taxes payable	80,637	75,375
Total liabilities	1,341,791	1,282,265
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 314,575 and 312,229 shares, respectively; outstanding 259,725 and 258,920 shares, respectively	3,146	3,122
Additional paid-in capital	865,694	813,568
Retained earnings	4,013,511	3,729,766
Treasury stock, at cost; 54,850 and 53,309 shares, respectively	(2,028,623)	(1,983,590)
Accumulated other comprehensive loss	(129)	(1,038)
Total shareholders' equity	2,853,599	2,561,828
Total liabilities and shareholders' equity	<u>\$ 4,195,390</u>	<u>\$ 3,844,093</u>

**BED BATH & BEYOND INC. AND SUBSIDIARIES**  
**Consolidated Statements of Earnings**  
*(in thousands, except per share data)*  
*(unaudited)*

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>November 29, 2008</b>	<b>December 1, 2007</b>	<b>November 29, 2008</b>	<b>December 1, 2007</b>
Net sales	\$ 1,782,683	\$ 1,794,747	\$ 5,285,066	\$ 5,115,756
Cost of sales	1,089,826	1,046,881	3,196,888	2,989,623
Gross profit	692,857	747,866	2,088,178	2,126,133
Selling, general and administrative expenses	556,483	544,714	1,645,564	1,547,553
Operating profit	136,374	203,152	442,614	578,580
Interest income	1,396	4,968	8,872	21,575
Earnings before provision for income taxes	137,770	208,120	451,486	600,155
Provision for income taxes	50,070	69,888	167,741	210,268
Net earnings	\$ 87,700	\$ 138,232	\$ 283,745	\$ 389,887
Net earnings per share - Basic	\$ 0.34	\$ 0.53	\$ 1.11	\$ 1.46
Net earnings per share - Diluted	\$ 0.34	\$ 0.52	\$ 1.10	\$ 1.44
Weighted average shares outstanding - Basic	256,150	261,588	256,503	267,074
Weighted average shares outstanding - Diluted	258,174	265,006	258,805	270,929

See accompanying Notes to Consolidated Financial Statements.

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

	<b>Nine Months Ended</b>	
	<b>November 29, 2008</b>	<b>December 1, 2007</b>
Cash Flows from Operating Activities:		
Net earnings	\$ 283,745	\$ 389,887
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	130,744	116,284
Amortization of bond premium	—	1,446
Stock-based compensation	32,352	31,233
Tax benefit from stock-based compensation	(890)	1,363
Deferred income taxes	(23,709)	(6,936)
Other	311	—
(Increase) decrease in assets, net of effect of acquisition:		
Merchandise inventories	(303,500)	(277,476)
Trading investment securities	(62)	(2,705)
Other current assets	(69,322)	(85,067)
Other assets	(869)	435
Increase (decrease) in liabilities, net of effect of acquisition:		
Accounts payable	62,914	76,197
Accrued expenses and other current liabilities	7,462	26,301
Merchandise credit and gift card liabilities	(5,415)	9,512
Income taxes payable	(20,208)	(61,384)
Deferred rent and other liabilities	13,476	20,847
Net cash provided by operating activities	107,029	239,937

**Cash Flows from Investing Activities:**

Redemption of held-to-maturity investment securities	—	366,232
Purchase of available-for-sale investment securities	—	(841,805)
Redemption of available-for-sale investment securities	95,250	1,167,480
Capital expenditures	(162,986)	(257,054)
Investment in unconsolidated joint venture, including fees	(4,782)	—
Payment for acquisition, net of cash acquired	—	(85,893)
Net cash (used in) provided by investing activities	(72,518)	348,960

**Cash Flows from Financing Activities:**

Proceeds from exercise of stock options	16,172	15,741
Excess tax benefit from stock-based compensation	3,622	4,109
Repurchase of common stock, including fees	(45,033)	(631,695)
Net cash used in financing activities	(25,239)	(611,845)
Net increase (decrease) in cash and cash equivalents	9,272	(22,948)

**Cash and cash equivalents:**

Beginning of period	224,084	213,381
End of period	<u>\$ 233,356</u>	<u>\$ 190,433</u>

See accompanying Notes to Consolidated Financial Statements.

**BED BATH & BEYOND INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

**1) Basis of Presentation**

The accompanying consolidated financial statements have been prepared without audit. In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring accruals and elimination of intercompany balances and transactions) necessary to present fairly the financial position of Bed Bath & Beyond Inc. and subsidiaries (the “Company”) as of November 29, 2008 and March 1, 2008 and the results of its operations for the three and nine months ended November 29, 2008 and December 1, 2007, respectively, and its cash flows for the nine months ended November 29, 2008 and December 1, 2007, respectively.

The accompanying unaudited consolidated financial statements are presented in accordance with the requirements for Form 10-Q and consequently do not include all the disclosures normally required by U.S. generally accepted accounting principles. Reference should be made to Bed Bath & Beyond Inc.’s Annual Report on Form 10-K for the fiscal year ended March 1, 2008 for additional disclosures, including a summary of the Company’s significant accounting policies, and to subsequently filed Forms 8-K.

The Company exhibits less seasonality than many other retail businesses, although sales levels are generally higher in August, November and December and generally lower in February and April.

**2) Recent Accounting Pronouncements**

In December 2007, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 141 (revised 2007), “Business Combinations.” SFAS No. 141R establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. SFAS No. 141R determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is not permitted.

**3) Fair Value Measurements**

On March 2, 2008, the Company adopted SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115.” SFAS No. 159 permits companies to choose to measure certain financial assets and liabilities at fair value (the “fair value option”). If the fair value option is elected, any upfront costs and fees related to the item must be recognized in earnings and cannot be deferred, e.g. debt issue costs. The fair value election is irrevocable and may generally be made on an instrument-by-instrument basis, even if a company has similar instruments that it elects not to fair value. At the adoption date, unrealized gains and losses on existing items for which fair value has been elected are reported as a cumulative adjustment to beginning retained earnings. The Company chose not to elect the fair value option for its financial assets and liabilities existing on March 2, 2008, and did not elect the fair value option for any financial assets and liabilities transacted during the nine months ended November 29, 2008, except for a put option related to the Company’s auction rate securities that was recorded in conjunction with a settlement agreement with one of its investment firms, as more fully described below.

On March 2, 2008, the Company also adopted SFAS No. 157, “Fair Value Measurements,” as required for financial assets and liabilities. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position (“FSP”) No. 157-2, a one-year deferral of SFAS No. 157’s fair value measurement requirements for non-financial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis. In October 2008, the FASB issued FSP No. 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active.” This FSP clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that asset is not active. FSP No. 157-3 was effective upon issuance. The adoption of SFAS No. 157 and FSP No. 157-3 for the Company’s financial assets and liabilities did not have a material impact on its consolidated financial statements. The Company does not expect the adoption of SFAS No. 157 as it pertains to non-financial assets and liabilities to have a material impact on its consolidated financial statements.

Under SFAS No. 157, 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. SFAS No. 157 also establishes a hierarchy for inputs used in measuring fair value that 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.
- Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

As of November 29, 2008, the Company’s financial assets utilizing Level 1 inputs include short term and 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 and securities collateralized by student loans, and a related put option.

In October 2008, the Company entered into an agreement (the “Agreement”) with the investment firm that sold the Company a portion of its auction rate securities, which have a par value of approximately \$43.2 million at November 29, 2008. By entering into the Agreement, the Company (1) received the right (“Put Option”) to sell these auction rate securities back to the investment firm at par, at its sole discretion, anytime during the period from June 30, 2010 through July 2, 2012, and (2) gave the investment firm the right to purchase these auction rate securities or sell them on the Company’s behalf at par anytime after the execution of the Agreement through July 2, 2012. The Company elected to measure the Put Option under the fair value option of SFAS No. 159, and recorded income of approximately \$5.6 million pre-tax, and recorded a corresponding long term investment. Simultaneously, the Company transferred these auction rate securities from available-for-sale to trading investment securities. As a result of this transfer, the Company recognized an other-than-temporary impairment loss of approximately \$5.6 million pre-tax, reflecting a reversal of the related temporary valuation allowance that was previously recorded in other comprehensive loss. The recording of the Put Option and the recognition of the other-than-temporary impairment loss resulted in no impact to the Consolidated Statement of Earnings for the three and nine month periods ended November 29, 2008. The Company anticipates that any future changes in the fair value of the Put Option will be offset by the changes in the fair value of the related auction rate securities with no material net impact to the Consolidated Statement of Earnings (See “Investment Securities,” Note 5). The Put Option will continue to be measured at fair value utilizing Level 3 inputs until the earlier of its maturity or exercise.

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, SFAS No. 157 requires that an asset or liability be classified in its entirety based on the lowest level of input that is significant to the measurement of fair value.

Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company’s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation, such as the recent illiquidity in the auction rate securities market. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition has caused, and in the future may cause, the Company’s financial instruments to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3.

SFAS No. 157 requires that the 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 are based on the income approach, specifically, discounted cash flow analyses which utilize significant inputs based on the Company’s estimates and assumptions. Inputs include current coupon rates and expected maturity dates.

The following table presents the valuation of the Company’s financial assets as of November 29, 2008 measured at fair value on a recurring basis by the input levels prescribed by SFAS No. 157:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)	Total
(in millions)			
Short term - available-for-sale securities	\$ 4.0	\$ —	\$ 4.0
Long term - available-for-sale securities	—	181.0	181.0
Long term - trading securities	6.6	37.6	44.2
Long term - put option	—	5.6	5.6
Total	<u>\$ 10.6</u>	<u>\$ 224.2</u>	<u>\$ 234.8</u>

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):

	Significant Unobservable Inputs (Level 3)
(in millions)	
Balance on March 2, 2008, net of temporary valuation adjustment	\$ 319.5
Change in temporary valuation adjustment included in other comprehensive loss	4.0
Unrealized loss included in earnings (1)	(5.6)
Recognition of Put Option	5.6
Redemptions at par	(95.3)
Transfers to Level 1	(4.0)
Balance on November 29, 2008, net of temporary valuation adjustment	<u>\$ 224.2</u>

(1) Represents the amount of total losses for the period included in earnings relating to assets still held on November 29, 2008.

Subsequent to the end of the fiscal third quarter through January 7, 2009, the Company additionally redeemed approximately \$3.6 million of short term available-for-sale securities at par.

#### 4) Cash and Cash Equivalents

Included in cash and cash equivalents are credit and debit card receivables from banks, which typically settle within 5 business days, of \$122.8 million and \$49.3 million as of November 29, 2008 and March 1, 2008, respectively.

#### 5) Investment Securities

The Company's investment securities as of November 29, 2008 and March 1, 2008 are as follows:

(in millions)	November 29, 2008	March 1, 2008
Available-for-sale securities:		
Short term	\$ 4.0	\$ —
Long term	181.0	319.5
Trading securities:		
Long term	44.2	6.4
Held-to-maturity securities:		
Long term	0.1	0.1
Put option - Long term	5.6	—
Total investment securities	<u>\$ 234.9</u>	<u>\$ 326.0</u>

#### Auction Rate Securities

As of November 29, 2008, the Company's available-for-sale investment securities represented approximately \$188.2 million par value of auction rate securities, less a temporary valuation adjustment of approximately \$3.2 million to reflect their current lack of liquidity. Since this valuation adjustment is deemed to be temporary it was recorded in other comprehensive loss, net of a related tax benefit of approximately \$1.2 million, and did not affect the Company's earnings for the nine months ended November 29, 2008. 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%. The Company's trading investment securities include approximately \$37.6 million at fair value, (\$43.2 million at par), of auction rate securities which are invested in securities collateralized by student loans, and which are currently more than 100% collateralized and with approximately 90% of such collateral in the aggregate being guaranteed by the United States government. During the fiscal third quarter, and in conjunction with the execution of the Agreement, the Company reclassified these securities from available-for-sale to trading investment securities (See "Fair Value Measurements," Note 3).

None of the auction rate securities held by the Company are mortgage-backed debt obligations, and all of these investments carry triple-A credit ratings from one or more of the major credit rating agencies as of November 29, 2008. During the nine months ended November 29, 2008, approximately \$95.3 million of auction rate securities were redeemed at par. Due to their lack of liquidity, the Company classified \$218.6 million and \$319.5 million of these investments as long term investment securities at November 29, 2008 and March 1, 2008, respectively. Subsequent to the end of the fiscal third quarter through January 7, 2009, the Company additionally redeemed approximately \$3.6 million at par.

## Other trading investment securities

The Company's other 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 \$6.6 million and \$6.4 million as of November 29, 2008 and March 1, 2008 respectively.

## 6) Property and Equipment

As of November 29, 2008 and March 1, 2008, included in property and equipment, net is accumulated depreciation and amortization of \$1.0 billion and \$878.3 million, respectively.

## 7) Investment in Joint Venture

In May 2008, the Company entered into a joint venture agreement with Home & More, S.A. de C.V., a privately-held

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home products retailer operating two stores in Mexico. The cost of investment in the joint venture totaled approximately \$4.8 million, including fees. The Company accounts for its 50% interest in the joint venture under the equity method of accounting, and such investment is classified in Other assets in the Consolidated Balance Sheet as of November 29, 2008.

## 8) Stock-Based Compensation

The Company records stock-based compensation under the provisions of SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R") which requires companies to measure all employee stock-based compensation awards using a fair value method and record such expense in its consolidated financial statements. The Company adopted SFAS No. 123R 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 as defined under SFAS No. 123R.

The Company recorded stock-based compensation expense of \$10.7 million (\$6.8 million after tax or \$0.03 per diluted share) and \$32.4 million (\$20.3 million after tax or \$0.08 per diluted share) for the three and nine months ended November 29, 2008, respectively. The Company recorded stock-based compensation expense of \$10.7 million (\$7.1 million after tax or \$0.03 per diluted share) and \$31.2 million (\$20.3 million after tax or \$0.07 per diluted share) for the three and nine months ended December 1, 2007, respectively. In addition, the amount of stock-based compensation cost capitalized for the nine months ended November 29, 2008 and December 1, 2007 was approximately \$0.9 million and \$1.0 million, respectively.

## Incentive Compensation Plans

The Company currently grants awards under the Bed Bath & Beyond 2004 Incentive Compensation Plan (the "2004 Plan"). The 2004 Plan is a flexible compensation plan that enables the Company to offer incentive compensation through stock options, stock appreciation rights, restricted stock awards and performance awards, including cash awards.

Prior to fiscal 2004, the Company had adopted various stock option plans (the "Prior Plans"), all of which solely provided for the granting of stock options. Upon adoption of the 2004 Plan, the common stock available under the Prior Plans became available for issuance under the 2004 Plan. No further option grants may be made under the Prior Plans, although outstanding awards under the Prior Plans will continue to be in effect.

Under the 2004 Plan and the Prior Plans, an aggregate of 83.4 million shares of common stock were authorized for issuance. The Company generally issues new shares for stock option exercises and restricted stock awards. Under the 2004 Plan, grants are determined by the Compensation Committee for those awards granted to executive officers and other key executives and by an appropriate committee for all other awards granted.

As of November 29, 2008, unrecognized compensation expense related to the unvested portion of the Company's stock options and restricted stock awards was \$40.0 million and \$96.3 million, respectively, which is expected to be recognized over a weighted average period of 2.6 years and 4.8 years, respectively.

## Stock Options

Option grants are issued at market value on the date of grant and generally become exercisable in five equal annual installments beginning one to three years from the date of grant. Option grants for stock options issued prior to May 10, 2004 expire ten years after the date of grant. Option grants for stock options issued since May 10, 2004 expire eight years after the date of grant. All option grants are non-qualified.

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. During the first quarter of fiscal 2008, the Company granted approximately 0.8 million stock options. No stock options were granted during the second quarter or third quarter of fiscal 2008.

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Black-Scholes Valuation Assumptions (1)	Nine Months Ended	
	November 29, 2008	December 1, 2007
Weighted Average Expected Life (in years) (2)	6.1	6.4
Weighted Average Expected Volatility (3)	34.13%	25.00%

Weighted Average Risk Free Interest Rates (4)	3.17%	4.58%
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) Commencing with fiscal 2008, the Company changed its methodology for expected volatility to be based on the average of historical and implied volatility. In changing its methodology, the Company considered, among other factors, the current events affecting the market environment at the date of grant and consistency by utilizing implied volatility as a component of its current methodology. The Company believes this approach more closely reflects what marketplace participants would likely use when considering the market environment to determine the expected volatility for the Company's stock options (which vest over 3-7 years) on the date of grant. For fiscal 2007, the expected volatility was based solely on the implied volatility of the Company's call options. The Company's call options used to determine implied volatility 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 nine months ended November 29, 2008 were as follows:

(Shares in thousands)	Number of Stock Options	Weighted Average Exercise Price
Options outstanding, beginning of period	18,382	\$ 31.29
Granted	783	32.87
Exercised	(1,140)	14.19
Forfeited or expired	(408)	36.15
Options outstanding, end of period	17,617	\$ 32.35
Options exercisable, end of period	13,135	\$ 30.77

The weighted average grant date fair value of stock options granted during the first nine months of fiscal 2008 and 2007 was \$12.95 and \$15.07, respectively. The weighted average remaining contractual term and the aggregate intrinsic value for options outstanding as of November 29, 2008 was 3.6 years and \$15.9 million, respectively. The weighted average remaining contractual term and the aggregate intrinsic value of options exercisable as of November 29, 2008 was 3.2 years and \$15.9 million, respectively. The total intrinsic value of stock options exercised during the first nine months of fiscal 2008 and 2007 was \$19.8 million and \$18.8 million, respectively.

Net cash proceeds from the exercise of stock options were \$16.2 million and \$15.7 million and the related income tax benefits were \$2.7 million and \$5.5 million for the nine months ended November 29, 2008 and December 1, 2007, respectively.

#### *Restricted Stock*

Restricted stock awards are issued and measured at market value on the date of grant and generally become exercisable in five equal annual installments beginning one to three years from the date of grant.

Vesting of restricted stock awarded to all executive officers and certain of the Company's other 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.

Changes in the Company's restricted stock awards for the nine months ended November 29, 2008 were as follows:

(Shares in thousands)	Number of Restricted Stock Awards	Weighted Average Grant-Date Fair Value
Unvested restricted stock, beginning of period	2,766	\$ 38.05
Granted	1,338	31.87
Vested	(343)	37.50
Forfeited	(131)	36.00
Unvested restricted stock, end of period	3,630	\$ 35.90

#### **9) Shareholders' Equity**

The Company's Board of Directors has authorized repurchases of shares of its common stock in the amounts of \$1.0 billion, \$1.0 billion, \$200 million, \$400 million and \$350 million in September 2007, December 2006, January 2006, October 2005 and December 2004, respectively. The aggregate total of authorized repurchases of shares of common stock under the above share repurchase programs is approximately \$3.0 billion. The Company was authorized 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 also purchases shares of its common stock to cover employee related taxes withheld on vested restricted stock awards. In the first nine months of fiscal 2008, the Company repurchased approximately 1.5 million shares of its common stock for an aggregate price of approximately \$45.0 million, bringing the aggregate total of common stock repurchased to approximately 54.9 million shares for an aggregate price of approximately \$2.0 billion since the initial authorization in December 2004.

#### **10) Earnings Per Share**

The Company presents earnings per share on a basic and diluted basis. Basic earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding. Diluted earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding

including the dilutive effect of stock-based awards as calculated under the treasury stock method.

Stock-based awards for the three and nine months ended November 29, 2008 of approximately 15.5 million and 15.2 million shares, respectively, and for the three and nine months ended December 1, 2007 of approximately 11.4 million and 10.0 million shares, respectively, were excluded from the computation of diluted earnings per share as the effect would be anti-dilutive.

### **11) Lines of Credit**

At November 29, 2008, the Company maintained two uncommitted lines of credit of \$100 million each, with expiration dates of February 27, 2009 and September 3, 2009, respectively. These uncommitted lines of credit are currently and are expected to be used for letters of credit in the ordinary course of business. As of November 29, 2008, the Company did not have any direct borrowings under the uncommitted lines of credit. Although no assurances can be provided, the Company intends to renew both uncommitted lines of credit before the respective expiration dates.

### **12) Supplemental Cash Flow Information**

The Company paid income taxes of \$214.4 million and \$271.4 million in the first nine months of fiscal 2008 and 2007, respectively.

The Company recorded an accrual for capital expenditures of \$16.3 million and \$38.8 million as of November 29, 2008 and December 1, 2007, respectively.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Overview**

Bed Bath & Beyond Inc. and subsidiaries (the "Company") is a chain of retail stores, operating under the names Bed Bath & Beyond ("BBB"), Christmas Tree Shops ("CTS"), Harmon and Harmon Face Values ("Harmon") and buybuy BABY. The Company sells a wide assortment of merchandise principally including domestics merchandise and home furnishings as well as food, giftware, health and beauty care items and infant and toddler merchandise. 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 and depth of assortment, everyday low prices, introduction of new merchandising offerings and development 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, fuel costs, and a declining overall macroeconomic environment, unusual weather patterns, consumer preferences and spending habits, competition from existing and potential competitors, and the ability to find suitable locations at acceptable occupancy costs to support the Company's expansion program.

The Company's results for the three months ended November 29, 2008 were adversely affected by the declining overall macroeconomic environment during the period, the liquidation sales of a major competitor, as well as a one week shift in the Thanksgiving holiday as compared with the three month period ended December 1, 2007. For the nine months ended November 29, 2008, the Company's results were negatively affected by the economic slowdown, including issues specific to the housing industry, and the liquidation sales of a number of retailers, including a major competitor. As discussed in more detail below, the following represents an overview of the Company's financial performance for the periods indicated:

- For the three and nine months ended November 29, 2008, the Company's net sales were \$1.783 billion and \$5.285 billion, respectively, a decrease of 0.7% and an increase of 3.3%, respectively, as compared to the three and nine months ended December 1, 2007.
- Comparable store sales for the fiscal third quarter of 2008 decreased by approximately 5.6%, as compared with an increase of approximately 0.8% for the corresponding period last year. Comparable store sales for the fiscal nine months of 2008 decreased by approximately 1.7%, as compared with an increase of approximately 1.5%, for the corresponding period last year.

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.

- Gross profit for the three months ended November 29, 2008 was \$692.9 million or 38.9% of net sales compared with \$747.9 million or 41.7% of net sales for the three months ended December 1, 2007. Gross profit for the nine months ended November 29, 2008 was \$2.088 billion or 39.5% of net sales compared with \$2.126 billion or 41.6% of net sales for the nine months ended December 1, 2007.
- Selling, general and administrative expenses ("SG&A") for the three months ended November 29, 2008 were \$556.5 million or 31.2% of net sales compared with \$544.7 million or 30.4% of net sales for the three months ended December 1, 2007. SG&A for the nine months ended November 29, 2008 was \$1.646 billion or 31.1% of net sales compared with \$1.548 billion or 30.3% of net sales for the nine months ended December 1, 2007.
- The effective tax rate was 36.3% and 37.2% for the three and nine months ended November 29, 2008, respectively, and 33.6% and 35.0% for the three and nine months ended December 1, 2007, respectively. The tax rate for the three months ended December 1, 2007 included an approximate \$8.0 million benefit primarily due to the effective settlement in the quarter of certain discrete tax items from ongoing examinations. The tax rate for the nine months ended December 1, 2007 included an approximate \$17.1 million benefit primarily due to the effective settlement of certain discrete tax items from ongoing

examinations, the recognition of favorable discrete state tax items and from changing the blended state tax rate of deferred income taxes.

For the three and nine months ended November 29, 2008, the Company's net earnings per diluted share were \$0.34 (\$87.7 million) and \$1.10 (\$283.7 million), respectively, compared to net earnings per diluted share of \$0.52 (\$138.2 million) and \$1.44 (\$389.9 million) for the three and nine months ended December 1, 2007, respectively. Net earnings per diluted share include the impact of the Company's repurchases of its common stock.

Capital expenditures for the nine months ended November 29, 2008 and December 1, 2007 were \$163.0 million and \$257.1 million, respectively. Included in capital expenditures for the nine months ended December 1, 2007 were costs associated with a new distribution center and a new E-service fulfillment center to support the Company's growth.

In May 2008, the Company entered into a joint venture agreement with Home & More, S.A. de C.V., a privately-held home products retailer operating two stores in Mexico. The cost of investment in the joint venture totaled approximately \$4.8 million, including fees.

Also, during the fiscal third quarter of 2008, the Company opened its third store in Canada.

## ***Results of Operations***

### ***Net Sales***

Net sales for the three months ended November 29, 2008 were \$1.783 billion, a decrease of \$12.1 million or approximately 0.7% less than net sales of \$1.795 billion for the corresponding quarter last year. For the three months ended November 29, 2008, the decrease in net sales was primarily attributable to a decrease in the Company's comparable store sales, substantially offset by an increase in the Company's new store sales.

For the three months ended November 29, 2008, comparable store sales for 905 stores represented \$1.661 billion of net sales and for the three months ended December 1, 2007, comparable store sales for 822 stores represented \$1.637 billion of net sales. The number of stores includes only those which constituted a comparable store for the entire respective fiscal period. The decrease in comparable store sales for the three months ended November 29, 2008 was approximately 5.6%, as compared with an increase of approximately 0.8% for the comparable period last year. Net sales and comparable store sales were adversely affected by the declining overall macroeconomic environment during the period, the liquidation sales of a major competitor, as well as a one week shift in the Thanksgiving holiday.

Sales of domestics merchandise and home furnishings for the Company accounted for approximately 43% and 57% of net sales, respectively, for the three months ended November 29, 2008 and approximately 45% and 55% of net sales, respectively, for the three months ended December 1, 2007.

For the nine months ended November 29, 2008, net sales were \$5.285 billion, an increase of \$169.3 million or approximately 3.3% over net sales of \$5.116 billion for the corresponding nine months last year. For the nine months ended November 29, 2008, the increase in net sales was primarily attributable to an increase in the Company's new store sales, partially offset by a decrease in comparable store sales.

For the nine months ended November 29, 2008, comparable store sales for 875 stores represented \$4.929 billion of net sales and for the nine months ended December 1, 2007, comparable store sales for 793 stores represented \$4.685 billion of net sales. The number of stores includes only those which constituted a comparable store for the entire respective fiscal period. Comparable store sales for the first fiscal nine months of 2008 decreased by approximately 1.7%, as compared with an increase of approximately 1.5% for the comparable period last year. Net sales and comparable store sales were negatively affected by the economic slowdown, including issues specific to the housing industry, and the liquidation sales of a number of retailers, including a major competitor.

Sales of domestics merchandise and home furnishings for the Company accounted for approximately 44% and 56% of net sales, respectively, for the nine months ended November 29, 2008 and approximately 45% and 55% of net sales, respectively, for the nine months ended December 1, 2007.

### ***Gross Profit***

Gross profit for the three months ended November 29, 2008 was \$692.9 million or 38.9% of net sales compared with \$747.9 million or 41.7% of net sales for the three months ended December 1, 2007. Gross profit for the nine months ended November 29, 2008 was \$2.088 billion or 39.5% of net sales compared with \$2.126 billion or 41.6% of net sales for the nine months ended December 1, 2007. The decreases in gross profit as a percentage of net sales for the three and nine months ended November 29, 2008 were primarily due to increases in inventory acquisition costs, increases in coupon redemptions and the shift in the mix of merchandise sold to lower margin categories.

### ***Selling, General and Administrative Expenses***

SG&A for the three months ended November 29, 2008 was \$556.5 million or 31.2% of net sales compared with \$544.7 million or 30.4% of net sales for the three months ended December 1, 2007. SG&A as a percentage of net sales increased for the three months ended November 29, 2008 compared to December 1, 2007 primarily due to the 5.6% decline in comparable store sales, resulting in relative increases in fixed costs, such as occupancy costs (including rent, real estate taxes and depreciation), as well as relative increases in payroll-related items (including salaries and benefits).

SG&A for the nine months ended November 29, 2008 was \$1.646 billion or 31.1% of net sales compared with \$1.548 billion or 30.3% of net sales for the nine months ended December 1, 2007. This increase in SG&A as a percentage of net sales was primarily due to the 1.7% decline in comparable store sales, resulting in relative increases in occupancy costs (including rent, depreciation and real estate taxes), as well as relative increases in payroll-related items (including salaries and benefits). Also contributing to the increase in SG&A as a percentage of sales were relative increases in advertising expenses, including increases in postage, paper and other production costs.

### ***Operating Profit***

Operating profit for the three months ended November 29, 2008 was \$136.4 million or 7.6% of net sales compared to \$203.2 million or 11.3% of net sales during the comparable period in 2007. For the nine months ended November 29, 2008, operating profit was \$442.6 million or 8.4% of net sales compared to

\$578.6 million or 11.3% of net sales during the comparable period in 2007. The decreases in operating profit as a percentage of net sales in the comparable periods were a result of deleverage in the gross profit margin and SG&A expenses.

### *Interest Income*

Interest income was \$1.4 million for the three months ended November 29, 2008 compared to \$5.0 million for the three months ended December 1, 2007. The decrease in interest income primarily resulted from lower interest rates. For the nine months ended November 29, 2008, interest income was \$8.9 million compared to \$21.6 million for the comparable period in 2007. The decrease in interest income resulted from lower interest rates and lower cash and investment securities balances, reflecting cumulative share repurchase activity.

### *Income Taxes*

The effective tax rate for the three months ended November 29, 2008 was 36.3% compared to 33.6% for the three months ended December 1, 2007. The tax rate for the three months ended November 29, 2008 included an approximate \$1.6 million benefit primarily due to the recognition of certain discrete tax items. The tax rate for the three months ended December 1, 2007 included an approximate \$8.0 million benefit primarily due to the effective settlement in the quarter of certain discrete tax items from ongoing examinations.

The effective tax rate for the nine months ended November 29, 2008 was 37.2% compared to 35.0% for the nine months ended December 1, 2007. The tax rate for the nine months ended November 29, 2008 included an approximate \$2.6 million benefit primarily due to the recognition of certain discrete tax items. The tax rate for the nine months ended December 1, 2007 included an approximate \$17.1 million benefit primarily due to the effective settlement of certain discrete tax items from ongoing examinations, the recognition of favorable discrete state tax items and from changing the blended state tax rate of deferred income taxes.

The Company expects that Financial Accounting Standards Board (“FASB”) Interpretation No. 48, “Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109” will continue to create volatility in the effective tax rate from quarter to quarter because the Company is required each quarter 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.

### *Net Earnings*

As a result of the factors described above, net earnings were \$87.7 million for the fiscal third quarter of 2008 and \$283.7 million for the fiscal nine months of 2008, compared with \$138.2 million and \$389.9 million for the corresponding periods in 2007, respectively.

### *Expansion Program*

The Company is engaged in an ongoing expansion program involving the opening of new stores in both new and existing markets and the expansion or relocation of existing stores. As a result of this program, the Company operated 921 BBB stores, 48 CTS stores, 41 Harmon stores and 11 buybuy BABY stores at the end of the fiscal third quarter of 2008, compared with 859 BBB stores, 39 CTS stores, 40 Harmon stores and 8 buybuy BABY stores at the end of the corresponding quarter last year. At November 29, 2008, Company-wide total store square footage was approximately 31.6 million square feet.

During the fiscal third quarter of 2008, the Company opened 18 BBB stores, including its third store in Canada, 7 CTS stores, 1 Harmon store and 1 buybuy BABY store. Including the 40 BBB stores opened in the fiscal nine months, the Company plans to open approximately 49 new BBB stores throughout the United States and Canada in fiscal 2008. For all of fiscal 2008, the Company also expects to open approximately 11 new CTS stores, about 7 new buybuy BABY stores and 1 new Harmon store. The continued growth of the Company is dependent, in large part, upon the Company’s ability to execute its expansion program successfully.

In May 2008, the Company entered into a joint venture with Home & More, S.A. de C.V., a privately-held home products retailer operating two stores in Mexico.

### *Liquidity and Capital Resources*

#### *Fiscal 2008 compared to Fiscal 2007*

The Company has been able to finance its operations, including its expansion program, through internally generated funds. Net cash provided by operating activities for the nine months ended November 29, 2008 was \$107.0 million as compared with \$239.9 million in the corresponding period of fiscal 2007. The decrease in net cash provided by operating activities was principally driven by lower net earnings.

Inventory per square foot was \$60.85 as of November 29, 2008, a slight decrease compared to the \$60.91 as of December 1, 2007. Excluding the incremental inventory in the Company’s new distribution and E-service fulfillment facilities, which opened in the fourth quarter of fiscal 2007, inventory per square foot decreased by approximately 2.6% from December 1, 2007 to November 29, 2008.

Net cash used in investing activities for the nine months ended November 29, 2008 was \$72.5 million as compared with \$349.0 million of net cash provided by investing activities in the corresponding period of fiscal 2007. The current year use of cash in investing activities is primarily due to \$163.0 million of capital expenditures partially offset by \$95.3 million of redemptions of investment securities. In the prior year, net cash was provided by \$691.9 million of redemptions of investment securities, net of purchases, partially offset by \$257.1 million of capital expenditures and the \$85.9 million payment for the acquisition of buybuy BABY.

Net cash used in financing activities for the nine months ended November 29, 2008 was \$25.2 million as compared with \$611.8 million in the corresponding period of 2007. The decline in net cash used was primarily attributable to a decrease in common stock repurchases in the current year.

### *Auction Rate Securities*

As of November 29, 2008, the Company held approximately \$231.4 million of investments related to auction rate securities. In October 2008, the Company entered into an agreement (the "Agreement") with the investment firm that sold the Company a portion of its auction rate securities, which have a par value of approximately \$43.2 million at November 29, 2008. By entering into the Agreement, the Company (1) received the right ("Put Option") to sell these auction rate securities back to the investment firm at par, at its sole discretion, anytime during the period from June 30, 2010 through July 2, 2012, and (2) gave the investment firm the right to purchase these auction rate securities or sell them on the Company's behalf at par anytime after the execution of the Agreement through July 2, 2012. The Company

elected to measure the Put Option under the fair value option of SFAS No. 159, and recorded income of approximately \$5.6 million pre-tax, and recorded a corresponding long term investment. Simultaneously, the Company transferred these auction rate securities, at their fair value of approximately \$37.6 million, from available-for-sale to trading investment securities. As a result of this transfer, the Company recognized an other-than-temporary impairment loss of approximately \$5.6 million pre-tax, reflecting a reversal of the related temporary valuation allowance that was previously recorded in other comprehensive loss. The recording of the Put Option and the recognition of the other-than-temporary impairment loss resulted in no impact to the Consolidated Statement of Earnings for the three and nine month periods ended November 29, 2008. The Company anticipates that any future changes in the fair value of the Put Option will be offset by the changes in the fair value of the related auction rate securities with no material net impact to the Consolidated Statement of Earnings.

As of November 29, 2008, the remainder of the Company's investment in auction rate securities of approximately \$188.2 million at par value, had a temporary valuation adjustment of approximately \$3.2 million to reflect their current lack of liquidity. Since this valuation adjustment is deemed to be temporary it was recorded in other comprehensive loss, net of a related tax benefit of approximately \$1.2 million, and did not affect the Company's earnings for the nine months ended November 29, 2008.

Due to current market conditions these investments have continued to experience failed auctions. These failed auctions result in a lack of liquidity in the securities but do not affect the underlying collateral of the securities. The Company believes that given their high credit quality, it will ultimately recover at par all amounts invested in these securities. The Company does not anticipate that any potential lack of liquidity in its auction rate securities, even for an extended period of time, will affect its ability to finance its operations, including its expansion 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 are 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.

During the nine months ended November 29, 2008, approximately \$95.3 million of auction rate securities were redeemed at par. Subsequent to the end of the fiscal third quarter through January 7, 2009, the Company additionally redeemed approximately \$3.6 million at par.

### ***Seasonality***

The Company exhibits less seasonality than many other retail businesses, although sales levels are generally higher in August, November and December and generally lower in February and April.

### ***Recent Accounting Pronouncements***

In December 2007, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 141 (revised 2007), "Business Combinations." SFAS No. 141R establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. SFAS No. 141R determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is not permitted.

### ***Critical Accounting Policies***

See "Critical Accounting Policies" under Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended March 1, 2008 ("2007 Form 10-K"), filed with the Securities and Exchange Commission ("SEC") on April 30, 2008 and incorporated by reference herein. There were no changes to the Company's critical accounting policies except as follows:

***Inventory Valuation:*** On March 2, 2008, the Company changed its method for buybuy BABY from the first in first out cost method to the weighted average retail inventory method as the Company continues to integrate systems. The impact was not material to the Company's consolidated financial statements.

***Stock-Based Compensation:*** Under SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"), the Company uses a Black-Scholes option-pricing model to determine the fair value of its stock options. The Company

determines its assumptions for the Black-Scholes option-pricing model in accordance with SFAS No. 123R and/or Staff Accounting Bulletin No. 107, "Share-Based Payment."

Commencing with fiscal 2008, the Company changed its methodology for expected volatility to be based on the average of historical and implied volatility. In changing its methodology, the Company considered, among other factors, the current events affecting the market environment at the date of grant and consistency by utilizing implied volatility as a component of its current methodology. The Company believes this approach more closely reflects what marketplace participants would likely use when considering the market environment to determine the expected volatility for the Company's stock options (which vest over 3-7 years) on the date of grant. 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. Prior to this change, the expected volatility was based solely on the implied volatility of the Company's call options, which had the same attributes as described above.

### ***Forward-Looking Statements***

This Form 10-Q may contain forward-looking statements. Many of these forward-looking statements can be identified by use of words such as may, will, expect, anticipate, estimate, assume, continue, project, plan, and similar words and phrases. 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 that may be outside the Company's control. Such factors include, without limitation: general economic conditions including the housing market, fuel costs and a declining overall macroeconomic environment; changes in the retailing environment and 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; unusual weather patterns; competition from existing and potential competitors; competition from other channels of distribution; pricing pressures; the cost of labor, merchandise and other costs and expenses; the ability to find suitable locations at acceptable occupancy costs to support the Company's expansion program; the impact of failed auctions for auction rate securities held by the Company; and matters arising out of or related to the Company's stock option grants and procedures and related matters, including the outcome of the informal inquiry commenced by the SEC, the possibility that the SEC may not agree with all of the special committee's findings and recommendations and may require additional or different remediation, any other proceedings which may be brought against the Company by the SEC or other governmental agencies, any tax implications relating to the Company's stock option grants, the outcome of a shareholder derivative action filed against certain of the Company's officers and directors and related matters, and the possibility of other private litigation relating to such stock option grants and related matters. The Company does not undertake any obligation to update its forward-looking statements.

### ***Available Information***

The Company makes available as soon as reasonably practicable after filing with the 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 or 15(d) of the Securities Exchange Act of 1934.

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### ***Item 3. Quantitative and Qualitative Disclosures about Market Risk***

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's investment securities. The Company's market risks at November 29, 2008 are similar to those disclosed in Item 7a of the Company's 2007 Form 10-K.

### ***Item 4. Controls and Procedures***

#### ***(a) Disclosure Controls and Procedures***

The Company's Principal Executive Officer and Principal Financial Officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 240.13a-15(e) and 15d-15(e)) as of November 29, 2008 (the end of the period covered by this quarterly report on Form 10-Q). Based on that evaluation, the Principal Executive Officer and the Principal Financial Officer have concluded that the Company's current disclosure controls and procedures are effective to ensure that 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) Changes in Internal Control over Financial Reporting***

There were no changes in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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## **PART II - OTHER INFORMATION**

### ***Item 1. Legal Proceedings***

Reference is made to the Company's Annual Report on Form 10-K for the fiscal year ended March 1, 2008 ("2007 Form 10-K") as filed with the SEC for a discussion of various purported derivative actions filed in fiscal 2006 naming various officers and the directors of the Company as defendants and making allegations concerning alleged historical options backdating practices at the Company.

The Company has commenced a separate action in the Supreme Court of New York against the shareholders who had brought one such derivative case, in response to a request to inspect certain materials, which request is deemed by the Company to be improper.

The Company is, in addition, party to various other 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 1A. Risk Factors***

In addition to the other information set forth in this Form 10-Q, carefully consider the factors discussed under "Risk Factors" in the Company's 2007 Form 10-K as filed with the SEC. These risks could materially adversely affect the Company's business, financial condition and results of operations. These risks are not the only risks the Company faces. The Company's operations could also be affected by additional factors that are not presently known to the Company or by factors that the Company currently considers immaterial to its business.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company's purchases of its common stock during the third quarter of fiscal 2008 were as follows:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) (2)
August 31, 2008 - September 27, 2008	3,500	\$ 31.59	3,500	\$ 926,456,740
September 28, 2008 - October 25, 2008	68,500	\$ 27.55	68,500	\$ 924,569,749
October 26, 2008 - November 29, 2008	109,000	\$ 22.09	109,000	\$ 922,162,274
Total	181,000	\$ 24.34	181,000	\$ 922,162,274

(1) The Company's Board of Directors has authorized repurchases of shares of its common stock in the amount of \$1 billion, \$1 billion, \$200 million, \$400 million and \$350 million in September 2007, December 2006, January 2006, October 2005 and December 2004, respectively. The Company was authorized 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.

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## Item 6. Exhibits

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

### SIGNATURES

Pursuant to the requirements 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.**

(Registrant)

Date: January 7, 2009

By: /s/ Eugene A. Castagna

Eugene A. Castagna  
Chief Financial Officer and  
Treasurer  
(Principal Financial and  
Accounting Officer)

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### EXHIBIT INDEX

Exhibit No.	Exhibit
10.1*	Amended and Restated Employment Agreement between the Company and Warren Eisenberg, dated as of December 31, 2008.
10.2*	Amended and Restated Employment Agreement between the Company and Leonard Feinstein, dated as of December 31, 2008.
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.

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

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## AMENDED AND RESTATED EMPLOYMENT AGREEMENT

Dated as of December 31, 2008

The parties to this agreement are Bed Bath & Beyond Inc., a New York corporation (the "Company"), and Warren Eisenberg (the "Executive").

The Company wishes to continue to employ the Executive and to amend and restate the existing employment agreement, originally dated as of June 30, 1997, amended and restated as of April 3, 2002 and subsequently amended as of June 30, 2007, between the Company and the Executive, which embodies the terms of such employment, and the Executive and the Company wish to amend and restate such existing employment agreement and accept such continued employment on such terms with the intent of complying with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the applicable regulations thereunder.

Accordingly, the parties agree as follows:

1. Positions, Duties and Responsibilities

(a) During the Executive's employment under this agreement, the Executive shall be employed as the co-chairman with Leonard Feinstein or chairman of the Company and be responsible for the general management of the affairs of the Company. It is the intention of the parties that the Executive be elected to and serve as a member of the board of directors of the Company. The Executive, in carrying out his duties under this agreement, shall report to the board of directors of the Company.

(b) Nothing in this agreement shall preclude the Executive from (i) serving on the boards of directors of a reasonable number of other corporations or the boards of a reasonable number of trade associations and/or charitable organizations, (ii) engaging in charitable activities and community affairs and (iii) managing his personal investments and affairs, provided that such activities do not materially interfere with the proper performance of his duties and responsibilities under this agreement.

2. Term of Employment. The Executive's employment under this agreement shall continue until the earlier of (a) June 30, 2010 (as that date may be extended from time to time by mutual agreement of the parties) (the "Final Date") or (b) the termination of his employment in accordance with this agreement.

3. Senior Status. Notwithstanding anything to the contrary in sections 1 and 2, at any time during the Executive's employment under this agreement and before the Final Date, the Executive may, at his option, upon 90 days' written notice given to the Company, elect to terminate his positions, duties and responsibilities under section 1, and during the period (the "Senior Status Period") commencing 90 days after such written notice is first given and continuing until the earlier of (a) the tenth anniversary of the termination of his positions, duties and responsibilities under section 1, or (b) the termination of the Executive's employment in accordance with this agreement, provide consulting (but not line executive) services to the Company as an employee. If the Executive shall not have exercised this option on or before the 90th day before the Final Date the Executive shall be deemed to have exercised this option on such date.

It is intended that, during the Senior Status Period, the Executive shall continue to provide services to the Company relevant to the general management of the affairs of the Company and to have a voice as to matters that impact the general management of the affairs of the Company.

It is reasonably anticipated by the parties and intended that during the Senior Status Period, the level of services the Executive shall perform shall be as mutually agreed by the Executive and the Company, but shall not be less than 25% of the average level of bona fide services performed by the Executive during the immediately preceding 36 month period and that the commencement of the Senior Status Period shall not be considered a "separation from service" with the Company within the meaning of Code Section 409A and the guidance issued thereunder. It is the intention of the parties that, during the Senior Status Period, the Executive shall continue to be elected to and serve as a member of the board of directors of the Company. The Executive, in carrying out his duties during the Senior Status Period, shall report to the Company's chief executive officer or, if the Executive so elects, to the board of directors of the Company. During the Senior Status Period, the Executive shall, at the request from time to time of the Company's chief executive officer or board of directors (whichever the Executive then reports to), make himself available to the Company, at times that are

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reasonably convenient for him, to provide mutually agreeable advisory services (it being understood, however, that such services shall not require the Executive to travel to a location more than 25 miles from his residence from time to time). During the Senior Status Period, the Company shall provide the Executive an office (at a location specified by the Executive, which need not be where the Company's offices are located), secretary, car and driver, all on a basis comparable to what is currently provided to the Executive prior to the Senior Status Period.

4. Salary. During his employment under this agreement and prior to the Senior Status Period, the Executive shall be entitled to an annual salary (the "Executive Salary"), payable in accordance with the regular payroll practices of the Company, of \$800,000 as may be increased by the board of directors of the Company. The Executive Salary as of the date hereof is \$1,100,000. During the Senior Status Period, the Executive shall be entitled to an annual salary (the "Senior Status Salary"), payable in accordance with the regular payroll practices of the Company, of the greater of (i) \$400,000 increased by the COLA Adjustment (as defined in section 5(b) below), and (ii) fifty percent of the average of the Executive Salary over the three year period immediately prior to the Senior Status Period. The Company may pay additional compensation to the Executive, whether in the form of an increase in Executive Salary or Senior Status Salary (as applicable), bonus or otherwise, if and to the extent authorized by the board of directors of the Company, in its sole discretion, from time to time, it being understood that during the term of this agreement, the board of directors may give consideration to increasing such compensation at various intervals or to decreasing the Executive Salary (but not to a level below an annual salary of \$800,000 without the Executive's written consent).

5. Employee Benefit Programs.

(a) Generally. During the Executive's employment under this agreement, including the Senior Status Period, the Executive shall be entitled to participate in all employee pension and welfare benefits plans and programs available to the Company's senior level executives or to its employees generally,

as such plans or programs may be in effect from time to time, including, without limitation, pension, profit sharing, savings and other retirement plans or programs, medical, dental, hospitalization, short-term and long-term disability and life insurance plans, accidental death and dismemberment protection, travel accident insurance, and any other pension or retirement plans or programs and any other employee welfare benefit plans or programs that may be sponsored by the Company from time to time, including any plans that supplement the above-listed types of plans or programs, whether funded or unfunded.

(b) Supplemental Pension. In addition, the Executive shall be entitled to payments in the nature of supplemental pension payments at the rate of \$200,000 (or such higher amount resulting from the annual COLA Adjustment described below) per year, payable in accordance with the regular payroll practices of the Company, for the period following the termination of his employment until the death of the survivor of the Executive and his current spouse, such payments to begin on the first payroll date following the Executive's "separation from service" within the meaning of Code Section 409A (other than in the case of a termination of the Executive's employment by the Company for Cause as defined in section 7(c)(i)), subject to Section 21(c). The amount of such supplemental pension payments shall be increased (the "COLA Adjustment") during each year the supplemental pension payments are payable by an amount which reflects any increase in the cost of living on the immediately preceding June 30th over the cost of living on June 30, 2000, using as a basis for such increase the Consumer Price Index for all Urban Consumers (CPI-U) for New York, Northern New Jersey-Long Island, as published by the U.S. Department of Labor (the "Index") or, in the event such Index is no longer published, such other index as is determined in good faith to be comparable by the board of directors of the Company. The COLA Adjustment shall be made each July 1st and shall remain applicable until the next June 30th. The Executive acknowledges that the Company's obligation under section 5(b) is an unfunded, unsecured promise to pay certain amounts to the Executive, in the future. The amounts payable under this section 5(b) shall be paid out of the Company's general assets and shall be subject to the risk of the Company's creditors. In no event shall the Executive's rights under section 5(b) be greater than the right of any unsecured general creditor of the Company. Notwithstanding the foregoing, to the extent any amounts in excess of accrued amounts and benefits are payable under section 7(a), (b), (d) or 8(b)(i) of this agreement, amounts payable under this section 5(b) shall be reduced by such other amounts on a payroll period basis.

6. Reimbursement of Business and Other Expenses. The Executive is authorized to incur reasonable expenses in carrying out his duties and responsibilities under this agreement, and the Company shall promptly reimburse him for all business expenses incurred in carrying out the business of the Company, subject to documentation in accordance with the Company's policies. In no event shall any such reimbursement be made later than six (6) months after the applicable expense is incurred, subject to the Executive submitting a reimbursement request and supporting documentation at least sixty (60) days prior to the end of such six (6) month period.

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7. Termination of Employment.

(a) In the event the Executive's employment terminates due to his death, his estate or his beneficiaries, as the case may be, shall be entitled to his salary for a period of one year following his death (paid at such times as, and in accordance with, normal payroll), any amount owing but not yet paid under section 6 and other or additional benefits owing but not yet paid in accordance with applicable plans and programs of the Company.

(b) In the event the Executive's employment terminates due to his inability substantially to perform his duties and responsibilities under this agreement for a period of 180 consecutive days, he shall be entitled to receive his salary for a period of one year following the date of termination (less any amounts received under the Company's benefit plans as a result of such disability) paid, subject to Section 21(c), at such times as, and in accordance with, normal payroll, and any amount owing but not yet paid under section 6 in accordance with section 6. In no event shall a termination of the Executive's employment under this section 7(b) occur, unless the party terminating the Executive's employment gives written notice to the other party in accordance with this agreement.

(c) (i) As used in this agreement, the term "Cause" means (A) the Executive is convicted of a felony involving moral turpitude or (B) the Executive is guilty of willful gross neglect or willful gross misconduct in carrying out his duties under this agreement, resulting, in either case, in material economic harm to the Company, unless the Executive believed in good faith that such act or nonact was in the best interests of the Company.

(ii) The Company may terminate the Executive's employment under this agreement for Cause. A termination for Cause shall not take effect, however, unless the provisions of this paragraph (c)(ii) are complied with. The Executive shall be given written notice by the board of directors of the Company of the intention to terminate his employment for Cause, such notice to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based. The Executive shall have 10 days after the date that such written notice has been given in which to cure such conduct, to the extent a cure is possible. If he fails to cure such conduct, his employment shall be terminated for Cause.

(iii) In the event the Company terminates the Executive's employment for Cause, he shall be entitled to his salary through the date of the termination of his employment, any amounts owing but not yet paid under section 6 and other or additional benefits in accordance with applicable plans or programs of the Company.

(d) (i) As used in this agreement, the term "Constructive Termination Without Cause" means a termination of the Executive's employment at his initiative following the occurrence, without the Executive's prior written consent, of one or more of the events described below (except in consequence of a prior termination) which event is not remedied by the Company within the 30 day period following the Executive's notice of his intent to terminate due to the condition (which notice shall be provided no more than 90 days following the occurrence of the event):

(A) a reduction in the Executive's salary (other than as contemplated pursuant to section 4 hereof) or a material reduction of any employee benefit or perquisite enjoyed by him (other than as part of any across-the-board action applicable to all executive officers of the Company);

(B) the failure to elect or reelect the Executive to (I) any of the officer or director positions referred to in section 1(a) or removal of him from any of such positions prior to the Senior Status Period, or (II) any executive officer position during the Senior Status Period;

(C) prior to the Senior Status Period, a material diminution in the Executive's duties or the assignment to the Executive of duties materially inconsistent with his duties or that materially impair the Executive's ability to function as the co-chairman or chairman of the Company;

(D) prior to the Senior Status Period, the relocation of the Company's principal office, or the Executive's own office location as assigned to him by the Company, to a location more than twenty-five (25) miles from Union, New Jersey.

(ii) In the event the Company terminates the Executive's employment without Cause, other than pursuant to section 7(a) or (b), or in the event there is a Constructive Termination Without Cause, the Executive shall be entitled to receive his salary through the date of termination of employment, his Executive Salary through the Final Date and thereafter his Senior Status Salary through the tenth anniversary of the earlier of (A) the Final Date, or (B)

commencement of the Senior Status Period, paid, subject to Section 21(c), at such times as, and in accordance with normal payroll, and any amount owing but not yet paid under section 6 in accordance with section 6.

(e) Except with regard to a voluntary termination described in section 8(b), in the event of a termination of employment by the Executive on his own initiative other than a termination otherwise provided for in this section 7, the Executive shall have the same entitlements as provided in section 7(c) (iii) for a termination for Cause, but shall be entitled to the supplemental pension described in section 5(b). If the Executive, voluntarily or otherwise without interference of the Company, reduces the level of services he performs during the Senior Status Period below the level set forth in Section 3 such that a "separation from service" with the Company within the meaning of Code Section 409A and the guidance issued thereunder is deemed to occur, then his employment with the Company shall terminate at such time, he shall have the same entitlements as provided in section 7(c)(iii) for a termination for Cause, but shall be entitled to the supplemental pension described in section 5(b).

(f) (i) In the event of a termination of employment other than pursuant to section 7(c), the Executive (and his current spouse, to the extent applicable) shall be entitled to continue to participate at the Company's expense in medical, dental, hospitalization and life insurance coverage and in all other employee plans and programs in which he or his family was participating on the date of termination of his employment and other or additional benefits in accordance with applicable plans and programs of the Company until the earlier of (A) the death of the survivor of the Executive and his current spouse or (B) the date, or dates, the Executive receives equivalent coverage and benefits under the plans and programs of a subsequent employer (such coverages and benefits to be determined on a coverage-by-coverage, or benefit-by-benefit, basis).

(ii) If the Executive is precluded from continuing his participation in any benefit plan or program referred to in subparagraph (i), the Company shall, during the period described in subparagraph (i) above, provide, for the benefit of the Executive and his current spouse, substantially similar coverage and benefits through fully-insured replacement policies.

(g) In the event of any termination of employment under this section 7, the Executive shall be under no obligation to seek other employment and there shall be no offset against amounts due the Executive under this agreement on account of any remuneration attributable to any subsequent employment that he may obtain, except as specifically provided in this section 7. Except as set forth in this agreement, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including without limitation, set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others.

## 8. Change in Control

(a) As used in this agreement, the term "Change in Control" means the occurrence of any one of the following events:

(i) any "person," as such term is used in sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, becomes a "beneficial owner," as such term is used in Rule 13d-3 under that act, of 30% or more of the outstanding common stock of the Company, excluding a person that is an affiliate (as such term is used under that act) of the Company on the date of this agreement, or any affiliate of any such person;

(ii) the majority of the board of directors of the Company consists of individuals other than Incumbent Directors, which term means the members of the board of directors of the Company on the date of this agreement; provided that any person becoming a director subsequent to such date whose election or nomination for election was supported by two-thirds of the directors who then comprised the Incumbent Directors shall be considered an Incumbent Director;

(iii) the Company adopts any plan of liquidation providing for the distribution of all or substantially all its assets;

(iv) all or substantially all the assets or business of the Company are disposed of pursuant to a merger, consolidation or other transaction (unless the shareholders of the Company immediately prior to such merger, consolidation or other transaction beneficially own, directly or indirectly, in substantially the same proportion as they own the common stock of the Company, all the common stock or other ownership interests of the entity or entities, if any, that succeed to the business of the Company); or

(v) the Company combines with another company and is the surviving corporation, but, immediately after the combination, the shareholders of the Company immediately prior to the combination hold, directly or indirectly, 50% or less of the common stock or other ownership interests of the combined company (there being excluded from the number of shares held by such shareholders, but not from the common stock or other ownership interests of the combined company, any shares or other ownership interests received by affiliates of such other company in exchange for stock of such other company).

(b) Following a Change in Control, the Executive may, at his option, upon 90 days' written notice given to the Company, terminate his employment under this agreement and, in lieu of any other amounts otherwise payable to him under section 7, (i) the Executive will be entitled to receive an amount equal to (A) the product of (x) the Executive Salary then in effect, and (y) three (3), if the written notice is given before the Senior Status Period, or (B) the product of (x) one half of his Senior Status Salary, and (y) the number of years (including fractions), if any, remaining in the Senior Status Period, if the written notice is given during the Senior Status Period, and (ii) pursuant to section 7(f) and in accordance with terms thereof, he shall be afforded continued participation in all medical, dental, hospitalization and life insurance coverage and in other employee benefit plans or programs in which he was participating on the date of the termination of his employment. Amounts payable under (i)(A) above shall be paid in equal installments over a period of three

(3) years at such times and in accordance with normal payroll, and amounts payable under (i)(B) above shall be paid in equal installments over the remainder of the Senior Status Period at such times and in accordance with normal payroll, in each case subject to Section 21(c).

(c) In the event the amount provided to the Executive under section 8(b) (the "Payment") is determined to constitute a "parachute payment," as such term is defined in section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), notwithstanding anything to the contrary in this agreement, the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and any excise tax imposed by section 4999 of the Code (and any interest and penalties imposed with respect thereto) (collectively, "Excise Tax") imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment. The determination of whether the Payment constitutes a "parachute payment" and, if so, the amount to be paid to the Executive and the time of payment pursuant to this section 8(c) shall be made by an independent auditor (the "Auditor") jointly selected by the Company and the Executive and paid by the Company. The Auditor shall be a nationally recognized United States public accounting firm, which has not, during the two years preceding the date of its selection, acted in any way on behalf of the Company or any affiliate of the Company. If the Executive and the Company cannot agree on the firm to serve as the Auditor, the Executive and Company shall each select one accounting firm and those two firms shall jointly select the accounting firm to serve as the Auditor.

Notwithstanding the foregoing, any Gross-Up Payment required to be paid pursuant to this section 8(c) shall be paid in a lump sum by the end of the taxable year next following the Executive's taxable year in which he remits the related taxes and shall not be paid prior to the expiration of the six (6) month period following the Executive's separation from service with the Company.

## 9. Indemnification

(a) The Company agrees that, if the Executive is made a party, or is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigation (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is the Executive's alleged action in an official capacity while serving as director, officer, member, employee or agent, the Executive shall be indemnified and held harmless by the Company to the fullest extent permitted or authorized by the Company's certificate of incorporation or bylaws or, if greater, by the laws of the state of New York, against all cost, expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Executive in connection therewith, and such indemnification shall continue as to the Executive even if he has ceased to be a director, member, employee or agent of the Company or other entity and shall inure to the benefit of the Executive's heirs, executors and administrators. The Company shall advance to the Executive all reasonable costs and expenses incurred by him in connection with a Proceeding within 20 days after receipt by the Company of a written request for such advance. Such request shall include an undertaking by the Executive to repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses.

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(b) Neither the failure of the Company (including its board or directors, independent legal counsel or shareholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by the Executive under section 9(a) that indemnification of the Executive is proper because he has met the applicable standard of conduct, nor a determination by the Company (including its board of directors, independent legal counsel or shareholders) that the Executive has not met such applicable standard of conduct, shall create a presumption that the Executive has not met the applicable standard of conduct.

(c) The Company agrees to continue and maintain a director's and officers' liability insurance policy covering the Executive to the extent the Company provides such coverage for its other executive officers.

10. Confidentiality. The Executive shall at all times during the period of his employment and thereafter hold in confidence any and all Confidential Information (as defined below) that may have come or may come into his possession or within his knowledge concerning the products, services, processes, businesses, suppliers, customers and clients of the Company or its controlled affiliates. The Executive agrees that neither he nor any person or enterprise controlled by him will for any reason directly or indirectly, for himself or any other person, use or disclose any trade secrets, proprietary or confidential information, inventions, manufacturing or industrial processes or procedures, patents, trademarks, trade names, customer lists, service marks, service names, copyrights, applications for any of the foregoing or licenses or other rights in respect thereof (collectively, "Confidential Information"), owned or used by, or licensed to, the Company or any of its controlled affiliates, provided that the Executive may disclose Confidential Information that has become generally available to the public other than as a result of a breach of this agreement by the Executive or pursuant to an order of a court of competent jurisdiction or of a governmental agency, department or commission. Upon termination of his employment under this agreement, the Executive shall promptly surrender to the Company all documents he believes contain Confidential Information and that are within his possession or control, other than documents to which the Executive is or was a party or that relate to the Executive or the basis, or purported basis, on which his employment was terminated.

## 11. Noncompetition and Nonsolicitation.

(a) The Executive agrees that from the date of this agreement and subsequent to the termination of his employment under this agreement and continuing for the period (the "Non-Compete Period") after termination of employment under section 7 (but not under section 8) in respect of which salary continuation payments would be required to be made under section 7(d) (regardless of whether termination of employment occurs pursuant to section 7 (d)), neither the Executive nor any person or enterprise controlled by him will become a shareholder, lender, director, officer, agent or employee of a corporation or member of or lender to a partnership, engage as a sole proprietor in any business, act as a consultant to any of the foregoing or otherwise engage directly or indirectly in any business that is in competition with the business then conducted by the Company or any of its controlled affiliates in any state in the United States or any other country in which the Company or any of its controlled affiliates has engaged in such business during the Executive's employment under this agreement; provided, however, that the foregoing shall not prohibit the Executive from owning less than two percent of the outstanding securities of any class of capital stock of a corporation the securities of which are regularly traded or quoted on a national securities exchange or on an inter-dealer quotation system or from acting as a passive investor in any private equity or similar fund.

(b) The Executive agrees that, during the Non-Compete Period, neither he nor any person or enterprise controlled by him will (i) solicit for employment any person who was employed by the Company or any of its controlled affiliates at any time within one year prior to the time of the act of solicitation or (ii) in any way cause, influence or participate in the solicitation for employment of any such individual by anyone else.

(c) The Executive acknowledges that there is no adequate remedy at law for a breach of this section 11 and that, in the event of such a breach or attempted breach, the Company shall be entitled to injunctive or other equitable relief to prevent any such breach, attempted breach or continuing breach, without prejudice to any other remedies for damages or otherwise.

12. Assignability; Binding Nature. This agreement shall inure to the benefit of the parties and their respective successors, heirs (in the case of the Executive) and assigns. No rights or obligations of the Company under this agreement may be assigned or transferred by the Company, except pursuant to a merger or consolidation, or the sale or liquidation of all or substantially all the assets of the Company, provided that, in the case of such a sale or liquidation, the assignee or transferee assumes in writing the obligation to perform this agreement (it being understood, however, that no such assignment or transfer shall relieve the Company of its liabilities or obligations under this agreement).

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13. Amendment or Waiver. This agreement may not be amended or waived, except by an instrument in writing signed by the party to be charged.

14. Severability. If any provision of this agreement is invalid or unenforceable, the remaining provisions of this agreement shall remain in effect.

15. Governing Law. This agreement shall be governed by and construed and interpreted in accordance with the law of the state of New York as applied to agreements among New York residents entered into and to be performed entirely within New York.

16. Disputes. Except as otherwise expressly provided in this agreement, any dispute arising under or in connection with this agreement shall, at the election of the Executive, be resolved by binding arbitration to be held in New York City in accordance with the rules of the American Arbitration Association. Judgment upon the arbitrator's award may be entered in any court having jurisdiction. Until the later of the death of the Executive or his current spouse, costs of any such arbitration or litigation, including, without limitation, attorneys' fees of both parties, shall be borne by the Company and advanced to the Executive as appropriate from time to time, but no later than 180 days after they are incurred, provided that, if the arbitrator or judge, as the case may be, determines that the claims or defenses of the Executive were without any reasonable basis, each party shall bear his or its own costs.

17. Notices. All notices and other communications under this agreement shall be in writing and may be given by any of the following methods: (a) personal delivery; (b) facsimile transmission; (c) registered or certified mail, postage prepaid, return receipt requested; or (d) overnight delivery service. Notices shall be sent to the appropriate party at its or his address or facsimile number given below (or at such other address or facsimile number for that party as specified by notice given under this section 17):

if to the Company, to it at:

650 Liberty Avenue  
Union, New Jersey 07083  
Fax: 908-688-8385

if to the Executive, to him at:

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All such notices and communications shall be deemed given and received upon (a) actual receipt by the addressee, (b) actual delivery to the appropriate address or (c) in the case of a facsimile transmission, upon transmission by the sender and issuance by the transmitting machine of a confirmation slip confirming that the number of pages constituting the notice have been transmitted without error. In the case of notices sent by facsimile transmission, the sender shall contemporaneously mail a copy of the notice to the addressee at the address provided above; however, such mailing shall in no way alter the time at which the facsimile notice is deemed given and received.

18. Headings. The section headings in this agreement are for convenience only and shall not affect the meaning or construction of any provision of this agreement.

19. Counterparts. This agreement may be executed in counterparts.

20. Entire Agreement. This agreement contains the entire agreement and understanding of the parties concerning its subject matter and supersedes all prior agreements and understandings with respect to that subject matter. Nothing in this agreement is intended to or shall affect the rights or obligations of the parties under any agreement relating to the maintenance of life insurance or stock options.

21. Code Section 409A.

(a) While the Company does not guarantee any particular tax treatment, this agreement is intended to comply with the applicable requirements of Section 409A of the Code and the applicable regulations thereunder and shall be limited, construed and interpreted in accordance with such intent.

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(b) With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A of the Code, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, provided that the foregoing clause (ii) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to amounts that may be reimbursed during

the period the arrangement is in effect, and (iii) such payments shall be made on or before the last day of the Executive’s taxable year following the taxable year in which the expense was incurred.

(c) A termination of employment shall not be deemed to have occurred for purposes of any provision of this agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a “separation from service” within the meaning of Code Section 409A and, for purposes of any such provision of this agreement, references to a “termination,” “termination of employment” or like terms shall mean separation from service. Notwithstanding any provision to the contrary in this agreement, because the Executive is deemed to be a “specified employee” within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the providing of any benefit that constitutes “non-qualified deferred compensation” pursuant to Code Section 409A, to the extent required to be delayed in compliance with Code Section 409A(a)(2)(B), such payment or benefit shall not be made or provided to the Executive, prior to the earlier of (A) the expiration of the six (6)-month period measured from the date of the Executive’s separation from service, and (B) the date of the Executive’s death. On the first day of the seventh month following the date of the Executive’s separation from service or, if earlier, on the date of the Executive’s death, all payments delayed pursuant to this Section 21(c) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due to the Executive under this agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(d) If under this agreement, an amount is to be paid in two or more installments, for purposes of Code Section 409A, each installment shall be treated as a separate payment.

BED BATH & BEYOND INC.

By: /s/ Steven H. Temares  
Name: Steve H. Temares  
Title: Chief Executive Officer

THE EXECUTIVE:

/s/ Warren Eisenberg  
Warren Eisenberg

## AMENDED AND RESTATED EMPLOYMENT AGREEMENT

Dated as of December 31, 2008

The parties to this agreement are Bed Bath & Beyond Inc., a New York corporation (the "Company"), and Leonard Feinstein (the "Executive").

The Company wishes to continue to employ the Executive and to amend and restate the existing employment agreement, originally dated as of June 30, 1997, amended and restated as of April 3, 2002 and subsequently amended as of June 30, 2007, between the Company and the Executive, which embodies the terms of such employment, and the Executive and the Company wish to amend and restate such existing employment agreement and accept such continued employment on such terms with the intent of complying with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the applicable regulations thereunder.

Accordingly, the parties agree as follows:

1. Positions, Duties and Responsibilities

(a) During the Executive's employment under this agreement, the Executive shall be employed as the co-chairman with Warren Eisenberg or chairman of the Company and be responsible for the general management of the affairs of the Company. It is the intention of the parties that the Executive be elected to and serve as a member of the board of directors of the Company. The Executive, in carrying out his duties under this agreement, shall report to the board of directors of the Company.

(b) Nothing in this agreement shall preclude the Executive from (i) serving on the boards of directors of a reasonable number of other corporations or the boards of a reasonable number of trade associations and/or charitable organizations, (ii) engaging in charitable activities and community affairs and (iii) managing his personal investments and affairs, provided that such activities do not materially interfere with the proper performance of his duties and responsibilities under this agreement.

2. Term of Employment. The Executive's employment under this agreement shall continue until the earlier of (a) June 30, 2010 (as that date may be extended from time to time by mutual agreement of the parties) (the "Final Date") or (b) the termination of his employment in accordance with this agreement.

3. Senior Status. Notwithstanding anything to the contrary in sections 1 and 2, at any time during the Executive's employment under this agreement and before the Final Date, the Executive may, at his option, upon 90 days' written notice given to the Company, elect to terminate his positions, duties and responsibilities under section 1, and during the period (the "Senior Status Period") commencing 90 days after such written notice is first given and continuing until the earlier of (a) the tenth anniversary of the termination of his positions, duties and responsibilities under section 1, or (b) the termination of the Executive's employment in accordance with this agreement, provide consulting (but not line executive) services to the Company as an employee. If the Executive shall not have exercised this option on or before the 90th day before the Final Date the Executive shall be deemed to have exercised this option on such date.

It is intended that, during the Senior Status Period, the Executive shall continue to provide services to the Company relevant to the general management of the affairs of the Company and to have a voice as to matters that impact the general management of the affairs of the Company.

It is reasonably anticipated by the parties and intended that during the Senior Status Period, the level of services the Executive shall perform shall be as mutually agreed by the Executive and the Company, but shall not be less than 25% of the average level of bona fide services performed by the Executive during the immediately preceding 36 month period and that the commencement of the Senior Status Period shall not be considered a "separation from service" with the Company within the meaning of Code Section 409A and the guidance issued thereunder. It is the intention of the parties that, during the Senior Status Period, the Executive shall continue to be elected to and serve as a member of the board of directors of the Company. The Executive, in carrying out his duties during the Senior Status Period, shall report to the Company's chief executive officer or, if the Executive so elects, to the board of directors of the Company. During the Senior Status Period, the Executive shall, at the request from time to time of the Company's chief executive officer or board of directors (whoever the Executive then reports to), make himself available to the Company, at times that are

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reasonably convenient for him, to provide mutually agreeable advisory services (it being understood, however, that such services shall not require the Executive to travel to a location more than 25 miles from his residence from time to time). During the Senior Status Period, the Company shall provide the Executive an office (at a location specified by the Executive, which need not be where the Company's offices are located), secretary, car and driver, all on a basis comparable to what is currently provided to the Executive prior to the Senior Status Period.

4. Salary. During his employment under this agreement and prior to the Senior Status Period, the Executive shall be entitled to an annual salary (the "Executive Salary"), payable in accordance with the regular payroll practices of the Company, of \$800,000 as may be increased by the board of directors of the Company. The Executive Salary as of the date hereof is \$1,100,000. During the Senior Status Period, the Executive shall be entitled to an annual salary (the "Senior Status Salary"), payable in accordance with the regular payroll practices of the Company, of the greater of (i) \$400,000 increased by the COLA Adjustment (as defined in section 5(b) below), and (ii) fifty percent of the average of the Executive Salary over the three year period immediately prior to the Senior Status Period. The Company may pay additional compensation to the Executive, whether in the form of an increase in Executive Salary or Senior Status Salary (as applicable), bonus or otherwise, if and to the extent authorized by the board of directors of the Company, in its sole discretion, from time to time, it being understood that during the term of this agreement, the board of directors may give consideration to increasing such compensation at various intervals or to decreasing the Executive Salary (but not to a level below an annual salary of \$800,000 without the Executive's written consent).

5. Employee Benefit Programs.

(a) Generally. During the Executive's employment under this agreement, including the Senior Status Period, the Executive shall be entitled to participate in all employee pension and welfare benefits plans and programs available to the Company's senior level executives or to its employees generally,

as such plans or programs may be in effect from time to time, including, without limitation, pension, profit sharing, savings and other retirement plans or programs, medical, dental, hospitalization, short-term and long-term disability and life insurance plans, accidental death and dismemberment protection, travel accident insurance, and any other pension or retirement plans or programs and any other employee welfare benefit plans or programs that may be sponsored by the Company from time to time, including any plans that supplement the above-listed types of plans or programs, whether funded or unfunded.

(b) Supplemental Pension. In addition, the Executive shall be entitled to payments in the nature of supplemental pension payments at the rate of \$200,000 (or such higher amount resulting from the annual COLA Adjustment described below) per year, payable in accordance with the regular payroll practices of the Company, for the period following the termination of his employment until the death of the survivor of the Executive and his current spouse, such payments to begin on the first payroll date following the Executive's "separation from service" within the meaning of Code Section 409A (other than in the case of a termination of the Executive's employment by the Company for Cause as defined in section 7(c)(i)), subject to Section 21(c). The amount of such supplemental pension payments shall be increased (the "COLA Adjustment") during each year the supplemental pension payments are payable by an amount which reflects any increase in the cost of living on the immediately preceding June 30th over the cost of living on June 30, 2000, using as a basis for such increase the Consumer Price Index for all Urban Consumers (CPI-U) for New York, Northern New Jersey-Long Island, as published by the U.S. Department of Labor (the "Index") or, in the event such Index is no longer published, such other index as is determined in good faith to be comparable by the board of directors of the Company. The COLA Adjustment shall be made each July 1st and shall remain applicable until the next June 30th. The Executive acknowledges that the Company's obligation under section 5(b) is an unfunded, unsecured promise to pay certain amounts to the Executive, in the future. The amounts payable under this section 5(b) shall be paid out of the Company's general assets and shall be subject to the risk of the Company's creditors. In no event shall the Executive's rights under section 5(b) be greater than the right of any unsecured general creditor of the Company. Notwithstanding the foregoing, to the extent any amounts in excess of accrued amounts and benefits are payable under section 7(a), (b), (d) or 8(b)(i) of this agreement, amounts payable under this section 5(b) shall be reduced by such other amounts on a payroll period basis.

6. Reimbursement of Business and Other Expenses. The Executive is authorized to incur reasonable expenses in carrying out his duties and responsibilities under this agreement, and the Company shall promptly reimburse him for all business expenses incurred in carrying out the business of the Company, subject to documentation in accordance with the Company's policies. In no event shall any such reimbursement be made later than six (6) months after the applicable expense is incurred, subject to the Executive submitting a reimbursement request and supporting documentation at least sixty (60) days prior to the end of such six (6) month period.

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7. Termination of Employment.

(a) In the event the Executive's employment terminates due to his death, his estate or his beneficiaries, as the case may be, shall be entitled to his salary for a period of one year following his death (paid at such times as, and in accordance with, normal payroll), any amount owing but not yet paid under section 6 and other or additional benefits owing but not yet paid in accordance with applicable plans and programs of the Company.

(b) In the event the Executive's employment terminates due to his inability substantially to perform his duties and responsibilities under this agreement for a period of 180 consecutive days, he shall be entitled to receive his salary for a period of one year following the date of termination (less any amounts received under the Company's benefit plans as a result of such disability) paid, subject to Section 21(c), at such times as, and in accordance with, normal payroll, and any amount owing but not yet paid under section 6 in accordance with section 6. In no event shall a termination of the Executive's employment under this section 7(b) occur, unless the party terminating the Executive's employment gives written notice to the other party in accordance with this agreement.

(c) (i) As used in this agreement, the term "Cause" means (A) the Executive is convicted of a felony involving moral turpitude or (B) the Executive is guilty of willful gross neglect or willful gross misconduct in carrying out his duties under this agreement, resulting, in either case, in material economic harm to the Company, unless the Executive believed in good faith that such act or nonact was in the best interests of the Company.

(ii) The Company may terminate the Executive's employment under this agreement for Cause. A termination for Cause shall not take effect, however, unless the provisions of this paragraph (c)(ii) are complied with. The Executive shall be given written notice by the board of directors of the Company of the intention to terminate his employment for Cause, such notice to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based. The Executive shall have 10 days after the date that such written notice has been given in which to cure such conduct, to the extent a cure is possible. If he fails to cure such conduct, his employment shall be terminated for Cause.

(iii) In the event the Company terminates the Executive's employment for Cause, he shall be entitled to his salary through the date of the termination of his employment, any amounts owing but not yet paid under section 6 and other or additional benefits in accordance with applicable plans or programs of the Company.

(d) (i) As used in this agreement, the term "Constructive Termination Without Cause" means a termination of the Executive's employment at his initiative following the occurrence, without the Executive's prior written consent, of one or more of the events described below (except in consequence of a prior termination) which event is not remedied by the Company within the 30 day period following the Executive's notice of his intent to terminate due to the condition (which notice shall be provided no more than 90 days following the occurrence of the event):

(A) a reduction in the Executive's salary (other than as contemplated pursuant to section 4 hereof) or a material reduction of any employee benefit or perquisite enjoyed by him (other than as part of any across-the-board action applicable to all executive officers of the Company);

(B) the failure to elect or reelect the Executive to (I) any of the officer or director positions referred to in section 1(a) or removal of him from any of such positions prior to the Senior Status Period, or (II) any executive officer position during the Senior Status Period;

(C) prior to the Senior Status Period, a material diminution in the Executive's duties or the assignment to the Executive of duties materially inconsistent with his duties or that materially impair the Executive's ability to function as the co-chairman or chairman of the Company;

(D) prior to the Senior Status Period, the relocation of the Company's principal office, or the Executive's own office location as assigned to him by the Company, to a location more than twenty-five (25) miles from Union, New Jersey.

(ii) In the event the Company terminates the Executive's employment without Cause, other than pursuant to section 7(a) or (b), or in the event there is a Constructive Termination Without Cause, the Executive shall be entitled to receive his salary through the date of termination of employment, his Executive Salary through the Final Date and thereafter his Senior Status Salary through the tenth anniversary of the earlier of (A) the Final Date, or (B) commencement of the Senior Status Period, paid, subject to Section 21(c), at such times as, and in accordance with normal payroll, and any amount owing but not yet paid under section 6 in accordance with section 6.

(e) Except with regard to a voluntary termination described in section 8(b), in the event of a termination of employment by the Executive on his own initiative other than a termination otherwise provided for in this section 7, the Executive shall have the same entitlements as provided in section 7(c) (iii) for a termination for Cause, but shall be entitled to the supplemental pension described in section 5(b). If the Executive, voluntarily or otherwise without interference of the Company, reduces the level of services he performs during the Senior Status Period below the level set forth in Section 3 such that a "separation from service" with the Company within the meaning of Code Section 409A and the guidance issued thereunder is deemed to occur, then his employment with the Company shall terminate at such time, he shall have the same entitlements as provided in section 7(c)(iii) for a termination for Cause, but shall be entitled to the supplemental pension described in section 5(b).

(f) (i) In the event of a termination of employment other than pursuant to section 7(c), the Executive (and his current spouse, to the extent applicable) shall be entitled to continue to participate at the Company's expense in medical, dental, hospitalization and life insurance coverage and in all other employee plans and programs in which he or his family was participating on the date of termination of his employment and other or additional benefits in accordance with applicable plans and programs of the Company until the earlier of (A) the death of the survivor of the Executive and his current spouse or (B) the date, or dates, the Executive receives equivalent coverage and benefits under the plans and programs of a subsequent employer (such coverages and benefits to be determined on a coverage-by-coverage, or benefit-by-benefit, basis).

(ii) If the Executive is precluded from continuing his participation in any benefit plan or program referred to in subparagraph (i), the Company shall, during the period described in subparagraph (i) above, provide, for the benefit of the Executive and his current spouse, substantially similar coverage and benefits through fully-insured replacement policies.

(g) In the event of any termination of employment under this section 7, the Executive shall be under no obligation to seek other employment and there shall be no offset against amounts due the Executive under this agreement on account of any remuneration attributable to any subsequent employment that he may obtain, except as specifically provided in this section 7. Except as set forth in this agreement, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including without limitation, set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others.

8. Change in Control

(a) As used in this agreement, the term "Change in Control" means the occurrence of any one of the following events:

(i) any "person," as such term is used in sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, becomes a "beneficial owner," as such term is used in Rule 13d-3 under that act, of 30% or more of the outstanding common stock of the Company, excluding a person that is an affiliate (as such term is used under that act) of the Company on the date of this agreement, or any affiliate of any such person;

(ii) the majority of the board of directors of the Company consists of individuals other than Incumbent Directors, which term means the members of the board of directors of the Company on the date of this agreement; provided that any person becoming a director subsequent to such date whose election or nomination for election was supported by two-thirds of the directors who then comprised the Incumbent Directors shall be considered an Incumbent Director;

(iii) the Company adopts any plan of liquidation providing for the distribution of all or substantially all its assets;

(iv) all or substantially all the assets or business of the Company are disposed of pursuant to a merger, consolidation or other transaction (unless the shareholders of the Company immediately prior to such merger, consolidation or other transaction beneficially own, directly or indirectly, in substantially the same proportion as they own the common stock of the Company, all the common stock or other ownership interests of the entity or entities, if any, that succeed to the business of the Company); or

(v) the Company combines with another company and is the surviving corporation, but, immediately after the combination, the shareholders of the Company immediately prior to the combination hold, directly

or indirectly, 50% or less of the common stock or other ownership interests of the combined company (there being excluded from the number of shares held by such shareholders, but not from the common stock or other ownership interests of the combined company, any shares other ownership interests received by affiliates of such other company in exchange for stock of such other company).

(b) Following a Change in Control, the Executive may, at his option, upon 90 days' written notice given to the Company, terminate his employment under this agreement and, in lieu of any other amounts otherwise payable to him under section 7, (i) the Executive will be entitled to receive an amount equal to (A) the product of (x) the Executive Salary then in effect, and (y) three (3), if the written notice is given before the Senior Status Period, or (B) the product of (x) one half of his Senior Status Salary, and (y) the number of years (including fractions), if any, remaining in the Senior Status Period, if the written notice is given during the Senior Status Period, and (ii) pursuant to section 7(f) and in accordance with terms thereof, he shall be afforded continued participation in all medical, dental, hospitalization and life insurance coverage and in other employee benefit plans or programs in which he was participating on the date of the termination of his employment. Amounts payable under (i)(A) above shall be paid in equal installments over a period of three (3) years at such times and in accordance with normal payroll, and amounts payable under (i)(B) above shall be paid in equal installments over the remainder of the Senior Status Period at such times and in accordance with normal payroll, in each case subject to Section 21(c).

(c) In the event the amount provided to the Executive under section 8(b) (the “Payment”) is determined to constitute a “parachute payment,” as such term is defined in section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the “Code”), notwithstanding anything to the contrary in this agreement, the Executive shall be entitled to receive an additional payment (a “Gross-Up Payment”) in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and any excise tax imposed by section 4999 of the Code (and any interest and penalties imposed with respect thereto) (collectively, “Excise Tax”) imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment. The determination of whether the Payment constitutes a “parachute payment” and, if so, the amount to be paid to the Executive and the time of payment pursuant to this section 8(c) shall be made by an independent auditor (the “Auditor”) jointly selected by the Company and the Executive and paid by the Company. The Auditor shall be a nationally recognized United States public accounting firm, which has not, during the two years preceding the date of its selection, acted in any way on behalf of the Company or any affiliate of the Company. If the Executive and the Company cannot agree on the firm to serve as the Auditor, the Executive and Company shall each select one accounting firm and those two firms shall jointly select the accounting firm to serve as the Auditor.

Notwithstanding the foregoing, any Gross-Up Payment required to be paid pursuant to this section 8(c) shall be paid in a lump sum by the end of the taxable year next following the Executive’s taxable year in which he remits the related taxes and shall not be paid prior to the expiration of the six (6) month period following the Executive’s separation from service with the Company.

## 9. Indemnification

(a) The Company agrees that, if the Executive is made a party, or is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigation (a “Proceeding”), by reason of the fact that he is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is the Executive’s alleged action in an official capacity while serving as director, officer, member, employee or agent, the Executive shall be indemnified and held harmless by the Company to the fullest extent permitted or authorized by the Company’s certificate of incorporation or bylaws or, if greater, by the laws of the state of New York, against all cost, expense, liability and loss (including, without limitation, attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Executive in connection therewith, and such indemnification shall continue as to the Executive even if he has ceased to be a director, member, employee or agent of the Company or other entity and shall inure to the benefit of the Executive’s heirs, executors and administrators. The Company shall advance to the Executive all reasonable costs and expenses incurred by him in connection with a Proceeding within 20 days after receipt by the Company of a written request for such advance. Such request shall include an undertaking by the Executive to repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses.

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(b) Neither the failure of the Company (including its board or directors, independent legal counsel or shareholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by the Executive under section 9(a) that indemnification of the Executive is proper because he has met the applicable standard of conduct, nor a determination by the Company (including its board of directors, independent legal counsel or shareholders) that the Executive has not met such applicable standard of conduct, shall create a presumption that the Executive has not met the applicable standard of conduct.

(c) The Company agrees to continue and maintain a director’s and officers’ liability insurance policy covering the Executive to the extent the Company provides such coverage for its other executive officers.

10. Confidentiality. The Executive shall at all times during the period of his employment and thereafter hold in confidence any and all Confidential Information (as defined below) that may have come or may come into his possession or within his knowledge concerning the products, services, processes, businesses, suppliers, customers and clients of the Company or its controlled affiliates. The Executive agrees that neither he nor any person or enterprise controlled by him will for any reason directly or indirectly, for himself or any other person, use or disclose any trade secrets, proprietary or confidential information, inventions, manufacturing or industrial processes or procedures, patents, trademarks, trade names, customer lists, service marks, service names, copyrights, applications for any of the foregoing or licenses or other rights in respect thereof (collectively, “Confidential Information”), owned or used by, or licensed to, the Company or any of its controlled affiliates, provided that the Executive may disclose Confidential Information that has become generally available to the public other than as a result of a breach of this agreement by the Executive or pursuant to an order of a court of competent jurisdiction or of a governmental agency, department or commission. Upon termination of his employment under this agreement, the Executive shall promptly surrender to the Company all documents he believes contain Confidential Information and that are within his possession or control, other than documents to which the Executive is or was a party or that relate to the Executive or the basis, or purported basis, on which his employment was terminated.

## 11. Noncompetition and Nonsolicitation.

(a) The Executive agrees that from the date of this agreement and subsequent to the termination of his employment under this agreement and continuing for the period (the “Non-Compete Period”) after termination of employment under section 7 (but not under section 8) in respect of which salary continuation payments would be required to be made under section 7(d) (regardless of whether termination of employment occurs pursuant to section 7 (d)), neither the Executive nor any person or enterprise controlled by him will become a shareholder, lender, director, officer, agent or employee of a corporation or member of or lender to a partnership, engage as a sole proprietor in any business, act as a consultant to any of the foregoing or otherwise engage directly or indirectly in any business that is in competition with the business then conducted by the Company or any of its controlled affiliates in any state in the United States or any other country in which the Company or any of its controlled affiliates has engaged in such business during the Executive’s employment under this agreement; provided, however, that the foregoing shall not prohibit the Executive from owning less than two percent of the outstanding securities of any class of capital stock of a corporation the securities of which are regularly traded or quoted on a national securities exchange or on an inter-dealer quotation system or from acting as a passive investor in any private equity or similar fund.

(b) The Executive agrees that, during the Non-Compete Period, neither he nor any person or enterprise controlled by him will (i) solicit for employment any person who was employed by the Company or any of its controlled affiliates at any time within one year prior to the time of the act of solicitation or (ii) in any way cause, influence or participate in the solicitation for employment of any such individual by anyone else.

(c) The Executive acknowledges that there is no adequate remedy at law for a breach of this section 11 and that, in the event of such a breach or attempted breach, the Company shall be entitled to injunctive or other equitable relief to prevent any such breach, attempted breach or continuing breach, without prejudice to any other remedies for damages or otherwise.

12. Assignability; Binding Nature. This agreement shall inure to the benefit of the parties and their respective successors, heirs (in the case of the Executive) and assigns. No rights or obligations of the Company under this agreement may be assigned or transferred by the Company, except pursuant to a merger or consolidation, or the sale or liquidation of all or substantially all the assets of the Company, provided that, in the case of such a sale or liquidation, the assignee or transferee assumes in writing the obligation to perform this agreement (it being understood, however, that no such assignment or transfer shall relieve the Company of its liabilities or obligations under this agreement).

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13. Amendment or Waiver. This agreement may not be amended or waived, except by an instrument in writing signed by the party to be charged.

14. Severability. If any provision of this agreement is invalid or unenforceable, the remaining provisions of this agreement shall remain in effect.

15. Governing Law. This agreement shall be governed by and construed and interpreted in accordance with the law of the state of New York as applied to agreements among New York residents entered into and to be performed entirely within New York.

16. Disputes. Except as otherwise expressly provided in this agreement, any dispute arising under or in connection with this agreement shall, at the election of the Executive, be resolved by binding arbitration to be held in New York City in accordance with the rules of the American Arbitration Association. Judgment upon the arbitrator's award may be entered in any court having jurisdiction. Until the later of the death of the Executive or his current spouse, costs of any such arbitration or litigation, including, without limitation, attorneys' fees of both parties, shall be borne by the Company and advanced to the Executive as appropriate from time to time, but no later than 180 days after they are incurred, provided that, if the arbitrator or judge, as the case may be, determines that the claims or defenses of the Executive were without any reasonable basis, each party shall bear his or its own costs.

17. Notices. All notices and other communications under this agreement shall be in writing and may be given by any of the following methods: (a) personal delivery; (b) facsimile transmission; (c) registered or certified mail, postage prepaid, return receipt requested; or (d) overnight delivery service. Notices shall be sent to the appropriate party at its or his address or facsimile number given below (or at such other address or facsimile number for that party as specified by notice given under this section 17):

if to the Company, to it at:

650 Liberty Avenue  
Union, New Jersey 07083  
Fax: 908-688-8385

if to the Executive, to him at:  
[\*\*\*]

All such notices and communications shall be deemed given and received upon (a) actual receipt by the addressee, (b) actual delivery to the appropriate address or (c) in the case of a facsimile transmission, upon transmission by the sender and issuance by the transmitting machine of a confirmation slip confirming that the number of pages constituting the notice have been transmitted without error. In the case of notices sent by facsimile transmission, the sender shall contemporaneously mail a copy of the notice to the addressee at the address provided above; however, such mailing shall in no way alter the time at which the facsimile notice is deemed given and received.

18. Headings. The section headings in this agreement are for convenience only and shall not affect the meaning or construction of any provision of this agreement.

19. Counterparts. This agreement may be executed in counterparts.

20. Entire Agreement. This agreement contains the entire agreement and understanding of the parties concerning its subject matter and supersedes all prior agreements and understandings with respect to that subject matter. Nothing in this agreement is intended to or shall affect the rights or obligations of the parties under any agreement relating to the maintenance of life insurance or stock options.

21. Code Section 409A.

(a) While the Company does not guarantee any particular tax treatment, this agreement is intended to comply with the applicable requirements of Section 409A of the Code and the applicable regulations thereunder and shall be limited, construed and interpreted in accordance with such intent.

(b) With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A of the Code, (i) the right to reimbursement or in-kind benefits shall not be

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subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, provided that the foregoing clause (ii) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to amounts that may be reimbursed during the period the arrangement is in effect, and (iii) such payments shall be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred.

(c) A termination of employment shall not be deemed to have occurred for purposes of any provision of this agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a “separation from service” within the meaning of Code Section 409A and, for purposes of any such provision of this agreement, references to a “termination,” “termination of employment” or like terms shall mean separation from service. Notwithstanding any provision to the contrary in this agreement, because the Executive is deemed to be a “specified employee” within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the providing of any benefit that constitutes “non-qualified deferred compensation” pursuant to Code Section 409A, to the extent required to be delayed in compliance with Code Section 409A(a)(2)(B), such payment or benefit shall not be made or provided to the Executive, prior to the earlier of (A) the expiration of the six (6)-month period measured from the date of the Executive’s separation from service, and (B) the date of the Executive’s death. On the first day of the seventh month following the date of the Executive’s separation from service or, if earlier, on the date of the Executive’s death, all payments delayed pursuant to this Section 21(c) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due to the Executive under this agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(d) If under this agreement, an amount is to be paid in two or more installments, for purposes of Code Section 409A, each installment shall be treated as a separate payment.

BED BATH & BEYOND INC.

By: /s/ Steven H. Temares  
Name: Steve H. Temares  
Title: Chief Executive Officer

THE EXECUTIVE:

/s/ Leonard Feinstein  
Leonard Feinstein

# CERTIFICATION

I, Steven H. Temares, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bed Bath & Beyond Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 7, 2009

/s/ Steven H. Temares

Steven H. Temares  
Chief Executive Officer

## CERTIFICATION

I, Eugene A. Castagna, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bed Bath & Beyond Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 7, 2009

/s/ Eugene A. Castagna

Eugene A. Castagna  
Chief Financial Officer and  
Treasurer  
(Principal Financial and  
Accounting Officer)

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**CERTIFICATION**

The undersigned, the Principal Executive Officer and Principal Financial Officer of Bed Bath & Beyond Inc. (the “Company”), hereby certify, to the best of their knowledge and belief, that the Form 10-Q of the Company for the quarterly period ended November 29, 2008, (the “Periodic Report”) accompanying this certification fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company. The foregoing certification is provided solely for purposes of complying with the provisions of Section 906 of the Sarbanes – Oxley Act of 2002 and is not intended to be used for any other purposes.

Date: January 7, 2009

*/s/ Steven H. Temares*

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Steven H. Temares  
Chief Executive Officer

*/s/ Eugene A. Castagna*

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Eugene A. Castagna  
Chief Financial Officer and  
Treasurer  
(Principal Financial and  
Accounting Officer)

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