

BED BATH & BEYOND INC
Form DEF 14A
May 28, 2004

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

BED BATH & BEYOND INC.

(Name of Registrant as Specified In Its Charter)

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

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(4) Date Filed:

BED BATH & BEYOND INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
JULY 1, 2004

TIME 9:00 a.m. on Thursday, July 1, 2004

PLACE Headquarters Plaza Hotel
3 Headquarters Plaza
Morristown, New Jersey

ITEMS OF BUSINESS

- (1) To elect five directors: three directors for three years until the Annual Meeting in 2007, one director for two years until the Annual Meeting in 2006, and one director for one year until the Annual Meeting in 2005, and in each case until their respective successors have been elected and qualified (Proposal 1).
- (2) To ratify the appointment of KPMG LLP as independent auditors for the 2004 fiscal year (Proposal 2).
- (3) To approve the 2004 Incentive Compensation Plan (Proposal 3).
- (4) To vote on shareholder proposals (Proposals 4 and 5).
- (5) To transact such other business as may properly be brought before the meeting or any adjournment or adjournments.

RECORD DATE You can vote if you were a shareholder of record on May 5, 2004.

PROXY VOTING It is important that your shares be represented and voted at the meeting. We hope you will attend the meeting. Whether or not you plan to attend, we urge you to vote online, via telephone or to fill out the enclosed proxy card and return it to us in the envelope provided. No postage is required.

May 28, 2004

Warren Eisenberg
Co-Chairman

Leonard Feinstein
Co-Chairman

Bed Bath & Beyond Inc.
650 Liberty Avenue
Union, NJ 07083

PROXY STATEMENT

The proxy materials are delivered in connection with the solicitation by the Board of Directors of Bed Bath & Beyond Inc. (the "Company", "we", or "us"), a New York corporation, of proxies to be voted at our 2004 Annual Meeting of Shareholders and at any adjournment or adjournments.

QUESTIONS ABOUT THE MEETING AND THESE PROXY MATERIALS

This Proxy Statement, the proxy card and our 2003 Annual Report are being mailed starting May 28, 2004.

What may I vote on?

You may vote on the following proposals:

election of five directors: three directors to hold office until the Annual Meeting in 2007, one director to hold office until the Annual Meeting in 2006, and one director to hold office until the Annual Meeting in 2005;

ratification of the appointment of KPMG LLP as independent auditors for fiscal 2004 (Proposal 2);

approval of the 2004 Incentive Compensation Plan (Proposal 3);

consideration of shareholder proposals (Proposals 4 and 5).

THE BOARD RECOMMENDS A VOTE *FOR* THE ELECTION OF THE FIVE DIRECTORS, *FOR* THE RATIFICATION OF THE APPOINTMENT OF AUDITORS, *FOR* THE APPROVAL OF THE 2004 INCENTIVE COMPENSATION PLAN AND *AGAINST* THE SHAREHOLDER PROPOSALS.

Who may vote?

Shareholders of record of the Company's common stock at the close of business on May 5, 2004 are entitled to receive this notice and to vote their shares at the Annual Meeting. As of that date, there were 300,478,099 shares of common stock outstanding. Each share of common stock is entitled to one vote on each matter properly brought before the meeting.

How do I vote?

The Company encourages you to use the electronic means available to you to vote your shares. How you vote will depend on how you hold your shares of Bed Bath & Beyond stock.

Shareholder of Record

If your shares are registered directly in your name with Bed Bath & Beyond's transfer agent, American Stock Transfer & Trust Company, you are considered the shareholder of record with respect to those shares, and these proxy materials are being sent directly to you. As the shareholder of record, you have the right to vote by proxy. There are three ways you can do so:

Vote by internet www.proxyvote.com

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

Vote by phone 1-800-690-6903

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

Vote by mail

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

Voting by any of these methods will not affect your right to attend the Annual Meeting and vote in person.

Beneficial Owner

Most shareholders of Bed Bath & Beyond hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. If you hold your shares in one of these ways, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker on how to vote. Your broker or nominee has enclosed a voting instruction form for you to use in directing the broker or nominee in how to vote your shares.

Can I change my vote?

Yes. If you are the shareholder of record, you may revoke your proxy at any time before it is exercised by doing any of the following:

sending a letter to the Company stating that your proxy is revoked;

signing a new proxy and sending it to the Company; or

attending the Annual Meeting and voting by ballot.

Beneficial owners should contact their broker or nominee for instructions on changing their vote.

How many votes must be present to hold the Annual Meeting?

A "quorum" is necessary to hold the Annual Meeting. A quorum is a majority of the votes entitled to be cast by the shareholders entitled to vote at the Annual Meeting. They may be present at the meeting or represented by proxy. Abstentions and broker "non-votes" are counted as present and entitled to vote for purposes of determining a quorum, but are not counted for purposes of determining any of the proposals to be voted on.

How many votes are needed to approve the proposals?

A plurality of the votes cast is required for the election of Directors. This means that the three nominees for a three year term with the most votes, the nominee for a two year term with the most votes and the nominee for a one year term with the most votes will, in each case, be elected.

A "FOR" vote by a majority of the votes cast is required to approve the other proposals to be acted on at the Annual Meeting.

What is an abstention?

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

What is a broker "non-vote"?

A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Under applicable rules, all of the proposals to be considered at the meeting, other than Proposal 3 (Approval of 2004 Incentive Compensation Plan), are "discretionary" items upon which New York Stock Exchange member brokerage firms that hold shares as a nominee may vote on behalf of the beneficial owners if such beneficial owners have not furnished voting instructions by the tenth day before the Annual Meeting. If you are a beneficial owner, brokers may not vote on Proposal 3 unless voting instructions have been returned to them.

Will any other matters be acted on at the Annual Meeting?

If any other matters are properly presented at the Annual Meeting or any adjournment, the persons named in the proxy will have discretion to vote on those matters. As of January 26, 2004, which is the date by which shareholder proposals must have been received by the Company to be presented at the meeting, and as of the date of this proxy statement, we did not know of any other matters to be presented at the Annual Meeting.

Who pays for this proxy solicitation?

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

ELECTION OF DIRECTORS (Proposal 1)

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

The Board of Directors is divided into three classes, each with a staggered three year term of office and the classes as nearly equal in number of directors as possible. The current number of directors is ten. At the Annual Meeting, five directors are to be elected, of whom three directors, Fran Stoller, Stanley F. Barshay and Jordan Heller, were added during the last year.

The Board of Directors, upon recommendation of its Nominating Committee, has nominated Warren Eisenberg and Victoria A. Morrison, whose three year terms of office as director expire at this Annual Meeting, as well as Stanley F. Barshay for a three year term expiring at the 2007 Annual Meeting. Additionally, the Board has nominated Fran Stoller for a two year term expiring at the 2006 Annual Meeting and Jordan Heller for a one year term expiring at the 2005 Annual Meeting.

The principal occupation and certain other information concerning the nominees are provided below:

Warren Eisenberg, 73, was a Co-Founder of the Company and currently serves as Co-Chairman. He has served as a Director since 1971. Mr. Eisenberg served as Chairman from 1992 to 1999, and served as Chief Executive Officer or Co-Chief Executive Officer from 1971 to April 2003.

Victoria A. Morrison, 51, is a practicing attorney and has served as a Partner in the law firm of Riker, Danzig, Scherer, Hyland & Perretti LLP for more than five years. She has served as a Director of the Company since September 2001.

Fran Stoller, 45, is a practicing attorney and a Partner in the law firm of Loeb & Loeb LLP. Prior to joining that firm in January 2000, she was a Partner in the law firm of Bachner Tally Polevoy & Misher LLP. She was added as a Director of the Company in October 2003. Ms. Stoller was referred to the Nominating Committee by the Chief Executive Officer.

Stanley F. Barshay, 64, has served as Chairman of Schering-Plough Consumer HealthCare Products since July 2003. Prior to 1997, Mr. Barshay served in a variety of senior executive positions at American Home Products (now Wyeth). Between 1997 and 2003, Mr. Barshay served as a consultant for several companies. He was added as a Director of the Company in October 2003. Mr. Barshay was referred to the Nominating Committee by an Executive Officer and Director of the Company.

Jordan Heller, 43, is a Managing Director at American Economic Planning Group. He has been Managing Director of American Economic Planning Group for more than 3 years. Prior to joining American Economic Planning Group, Mr. Heller was Managing Partner of Ledgewood Capital Advisors. He was added as a Director of the Company in December 2003. Mr. Heller was referred to the Nominating Committee by the Chief Executive Officer.

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

OTHER BOARD OF DIRECTORS INFORMATION

The principal occupation and certain other information about the directors whose terms of office continue after the Annual Meeting is provided below.

Directors Whose Terms Expire in 2005

Leonard Feinstein, 67, was a Co-Founder of the Company and has served as Co-Chairman since 1999. He has served as a Director since 1971. Mr. Feinstein served as President from 1992 to 1999, and served as Co-Chief Executive Officer from 1971 to April 2003.

Robert Kaplan, 46, is Vice Chairman of The Goldman Sachs Group, Inc. Mr. Kaplan has been a Managing Director or Partner of The Goldman Sachs Group, Inc. for more than five years. He has been a Director of the Company since 1994.

Dean S. Adler, 47, was a Co-Founder and has served as a Principal of Lubert-Adler Management, a private real estate investment firm, for more than five years. He has been a Director of the Company since September 2001. Mr. Adler is also a director of Developers Diversified Realty Corp., Trans World Entertainment Corp., and Electronics Boutique, Inc.

Directors Whose Terms Expire in 2006

Steven H. Temares, 45, currently serves as Chief Executive Officer, President and a Director of the Company. Mr. Temares was elected Chief Executive Officer in April 2003. He has served as President and a Director since 1999. Previously, Mr. Temares served as Chief Operating Officer from 1997 to April 2003 and served as Executive Vice President from 1997 to 1999.

Klaus Eppler, 73, is a practicing attorney and has been a pensioned partner in the law firm of Proskauer Rose LLP, counsel to the Company, since November 2001. Mr. Eppler was an equity partner of Proskauer Rose LLP from 1965 to October 2001. He has been a Director of the Company since 1992. Mr. Eppler serves as outside Lead Director. Mr. Eppler is also a director of The Dress Barn, Inc.

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

The Board of Directors held six meetings during fiscal 2003.

How are Directors compensated?

In fiscal 2003, each outside director was paid at the rate of \$2,500 per quarter other than Klaus Eppler who, as Lead Director, was paid at the rate of \$6,250 per quarter. Directors may elect to receive all or a portion of such payments in the form of common stock. For fiscal 2004, the payment will be increased by \$5,000 per quarter for each outside director.

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

Following the addition of Fran Stoller, Stanley F. Barshay and Jordan Heller to the Board of Directors, the membership of the Audit, Nominating and Governance, and Compensation Committees was reconstituted. All members of such committees are considered independent pursuant to applicable SEC and Nasdaq rules.

Audit Committee

The function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by (i) overseeing the Company's accounting and financial reporting processes and the audits of the Company's financial statements, and (ii) reviewing the financial reports and other financial information provided by the Company to the public. In addition, the functions of this Committee have included, among other things, recommending to the Board the engagement or discharge of independent auditors, discussing with the auditors their review of the Company's quarterly results and the results of their annual audit and reviewing the Company's internal accounting controls. The Board of Directors has adopted a written revised charter for the Audit Committee, a copy of which is attached as Exhibit A to this proxy statement. The Audit Committee held five meetings during fiscal 2003. The current members of the Committee are Messrs. Adler, Barshay and Heller.

Nominating and Corporate Governance Committee

The function of the Nominating and Corporate Governance Committee is to assist the Board of Directors by (i) reviewing and recommending changes in certain policies regarding the nomination of directors to the Board for its approval; (ii) identifying individuals qualified to become directors; (iii) evaluating and recommending for the Board's selection nominees to fill positions on the Board; and (iv) recommending changes in the Company's corporate governance policies to the Board for its approval. The Committee's policy is to identify potential nominees based on properly submitted suggestions from any source and has established procedures to do so. In addition, the Board may determine that it requires a director with a particular expertise or qualification and will actively recruit such a candidate. Shareholders wishing to propose a director candidate for nomination must provide timely notice of such nomination in accordance with the Company's By-laws. In addition to holding two meetings during fiscal 2003, the Committee had informal discussions and made recommendations to the Board. The current members of the Committee are Mr. Eppler, Ms. Morrison and Ms. Stoller.

Compensation Committee

The function of the Compensation Committee is to assist the Board of Directors by (i) considering and determining all matters relating to the compensation of the Company's Co-Chairmen, Chief Executive Officer and other executive officers; (ii) administering and functioning as the committee that is authorized to grant stock options under the Company's stock option plans to executive officers and such other Senior Persons as the Committee may determine; and (iii) reviewing and reporting to the Board on such other matters as may be appropriately delegated by the Board for the Committee's consideration. In addition to holding one meeting during fiscal 2003, the Committee also acted by

unanimous written consents. The current members of the Committee are Mr. Adler, Ms. Morrison and Ms. Stoller.

Corporate Governance Information

A complete copy of the charter of each of the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee, as well as the Company's policies on Director attendance at the annual shareholder meeting and how shareholders can communicate with the Board of Directors, are available on the Company's website at www.bedbathandbeyond.com.

RATIFICATION OF APPOINTMENT OF AUDITORS (Proposal 2)

Who has the Board of Directors appointed as the Auditors?

The Audit Committee has appointed KPMG LLP to serve as our independent auditors for fiscal 2004, subject to ratification by our shareholders. Representatives of KPMG LLP will be present at the Annual Meeting to answer questions. They will also have the opportunity to make a statement if they desire to do so. If the proposal to ratify their appointment is not approved, other certified public accountants will be considered by the Audit Committee. Even if the proposal is approved, the Audit Committee, in its discretion, may direct the appointment of new independent auditors at any time during the year if it believes that such a change would be in the best interest of the Company and its shareholders.

What were the fees incurred for KPMG LLP professional services?

The Company incurred the following fees to KPMG LLP for fiscal 2003 and 2002:

	2003	2002
Audit Fees	\$ 312,000	\$ 232,000
Audit-Related Fees	31,000	31,000
Tax Fees	327,000	145,000
All Other Fees	5,000	
	\$ 675,000	\$ 408,000

Audit fees include fees associated with the annual audit of the Company's financial statements, including additional procedures required due to the acquisition of Christmas Tree Shops, Inc. ("CTS"), which was consummated in June 2003, and the quarterly reviews of the financial statements included in our Forms 10-Q. Audit-related fees include fees associated with audits of financial statements of certain employee benefit plans. Tax fees include fees associated with tax compliance (including review of tax returns), tax advice (including tax audit assistance) and assistance with the due diligence for the acquisition of CTS. All other fees in fiscal 2003 consist of fees associated with management advisory services. The Audit Committee has concluded that the provision of the foregoing services is compatible with maintaining KPMG LLP's independence.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE *FOR* THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS INDEPENDENT AUDITORS FOR FISCAL 2004.

AUDIT COMMITTEE REPORT

The Board of Directors has determined that the membership of the Audit Committee meets the Securities and Exchange Commission and Nasdaq independence and experience requirements. The Board of Directors has also determined that Messrs. Adler and Heller each qualify as an "Audit Committee Financial Expert."

The Audit Committee discussed the auditors' review of quarterly financial information with the auditors prior to the release of that information and the filing of the Company's quarterly reports with the Securities and Exchange Commission. The Audit Committee also met and held discussions with management and the independent auditors with respect to the audited year end financial statements. The Committee also reviewed and revised the Audit Committee Charter. Further, the Committee discussed with the auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), received the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and discussed with the auditors the auditors' independence. Based on these discussions and the written disclosures received from the auditors, the Committee recommended that the Board of Directors include the audited financial statements in the Company's Annual Report on Form 10-K for the year ended February 28, 2004, filed with the Securities and Exchange Commission on May 13, 2004.

This report is not deemed filed under the Securities Act of 1933 or the Securities Exchange Act of 1934 and is not incorporated by reference into any filings that the Company may make with the Securities and Exchange Commission.

AUDIT COMMITTEE

Dean S. Adler
Stanley F. Barshay
Jordan Heller

2004 INCENTIVE COMPENSATION PLAN (Proposal 3)

**ADOPTION OF THE BED BATH & BEYOND INC.
2004 INCENTIVE COMPENSATION PLAN**

On May 13, 2004, the Board of Directors of the Company approved the Bed Bath & Beyond Inc. 2004 Incentive Compensation Plan (the "2004 Plan"), subject to shareholder approval.

The Company has utilized stock options as an important part of its program to recruit, retain and motivate a wide range of key employees, including department managers, store managers, buying office personnel and officers. Stock options have been granted to hundreds of our key employees in each of the last several years and, as the Company has continued its expansion program, and has acquired the Christmas Tree Shops stores and the Harmon stores, the number of key employees the Company plans to provide with incentive compensation is likely to increase. As of May 5, 2004 only 9,900,868 shares remain available for future grants of options under our existing stock option plans. Options covering approximately 6,000,000 shares were granted to key employees during fiscal 2003.

In view of uncertainties regarding the acceptability of, and accounting treatment for, stock options, the Board of Directors has approved the 2004 Plan as a flexible incentive compensation plan that would enable the Company to offer employees and others incentive compensation through stock options, stock appreciation rights, restricted stock awards and performance awards, including cash awards. In view of the different kinds of incentive compensation awards that may be made under the 2004 Plan, the number of shares of common stock of the Company that may be issued or used for reference purposes under the 2004 Plan is 19,000,000 shares plus, if the 2004 Plan is approved by shareholders, the common stock remaining available under our existing stock option plans. Upon such approval, no further option grants may be made under our existing stock option plans. However, to the

extent that awards other than stock options and stock appreciation rights (as for example the grant of restricted stock awards) are made under the 2004 Plan, each share of common stock that is subject to the award will be counted as 1.80 shares against the overall limit. The purpose of the 2004 Plan is to enable the Company to provide incentives in order to attract, retain and reward eligible participants in the Plan and strengthen the mutuality of interests between such individuals and the Company's shareholders.

The following description of the 2004 Plan is qualified in its entirety by reference to the 2004 Plan, which is attached as Exhibit B to this Proxy Statement.

Administration

The Board of Directors has appointed two committees to administer the 2004 Plan: the Compensation Committee which is authorized to grant options to executive officers and certain other key executives; and a second committee, consisting of the Co-Chairmen and Chief Executive Officer, which is authorized to grant options to other employees and consultants. All members of the Compensation Committee are "non-employee directors" within the meaning of Rule 16b-3 under the Exchange Act of 1934, "outside directors" within the meaning of Section 162(m) of the Code, and "independent directors" under the rules of Nasdaq Stock Market. Under the 2004 Plan, the entire Board of Directors has the authority to grant options to non-employee directors, but there are no current plans to do so.

Eligibility and Types of Awards

Employees, consultants, and prospective employees and consultants of the Company and its affiliates and Non-Employee Directors of the Company are eligible to be granted stock options, stock appreciation rights, restricted stock awards, performance awards and other stock-based awards under the 2004 Plan. Eligibility for awards under the 2004 Plan is determined by the applicable Committee in its sole discretion, provided that no award may be made to any Non-Employee Director unless all similarly situated Non-Employee Directors have the right to receive the same award on the same terms. As of the date of this proxy statement, no awards have been granted under the 2004 Plan.

Available Shares

The aggregate number of shares of common stock of the Company that may be issued or used for reference purposes under the 2004 Plan shall not exceed 19,000,000 shares plus, if the 2004 Plan is approved by shareholders, any remaining common stock available for grant under the 1996, 1998, 2000 and 2001 Stock Option Plans ("the Prior Plans"). As of May 5, 2004, the Prior Plans had 9,900,868 shares available for future grant and 24,030,951 shares granted but unexercised, with a weighted average remaining life and weighted average grant price of 6.61 years and \$22.95, respectively. If the 2004 Plan is not approved by shareholders, the Prior Plans will remain in full force and effect.

Shares of common stock that are subject to options or stock appreciation rights shall be counted against the overall limit as one share for every share granted. Shares of common stock that are subject to other types of awards shall be counted against this limit as 1.80 shares for every share granted. The maximum number of shares of common stock subject to any option and/or stock appreciation right that may be granted under the 2004 Plan during any fiscal year of the Company to each employee shall be, in the aggregate, 1,000,000 shares. The maximum number of shares of common stock subject to any restricted stock award and/or other stock-based award that is subject to the attainment of specified performance goals that may be granted under the 2004 Plan during any fiscal year of the Company to each employee shall be 500,000 shares. The maximum number of shares of common stock subject to any performance award denominated in shares of common stock that may be granted to an employee under the 2004 Plan attributable to any year of a performance period shall be 500,000 shares. The

maximum payment that may be made to an employee under the 2004 Plan and denominated in dollars for a cash-based award attributable to any year of a performance period shall be \$2,000,000. The above per-participant limits shall be increased for an employee to the extent that awards made to the employee in any prior year under the 2004 Plan were for less than the maximum number of shares or the amounts permitted to be granted, in the aggregate, to the employee.

The Committee may, in accordance with the term of the 2004 Plan, make appropriate adjustments to the above limits and the terms of outstanding options and other awards to reflect any stock dividend or distribution, stock split, reverse stock split, recapitalization, reorganization, merger, consolidation, split-up, combination, reclassification, or exchange of shares, partial or complete liquidation, issuance of rights or warrants, sale or transfer of the Company's assets or business, or any special cash dividend (or any other event affecting the Company's capital structure or business).

Awards under the 2004 Plan

Stock Options. The 2004 Plan authorizes the Committee to grant non-qualified stock options to purchase shares of common stock. The Committee will determine the number of shares of common stock subject to each option, the term of each option, the exercise price (which may not be less than the fair market value of the common stock at the time of grant), any vesting schedule, and the other material terms of each option. Options will be exercisable at such times and subject to such terms as are determined by the Committee at grant. The maximum term of stock options under the 2004 Plan has been reduced to eight years, compared to ten years under the Prior Plans, which the Company does not believe will reduce the long-term incentive provided under its stock options. Unless the Committee determines otherwise at the time of grant, stock options granted to employees or consultants shall be exercisable no earlier than one year after grant, subject to acceleration provisions (if any) as determined by the Committee. Upon the exercise of an option, the participant must make payment of the full exercise price, either: in cash, check, bank draft or money order; solely to the extent permitted by law, through the delivery of irrevocable instructions to a broker reasonably acceptable to the Company to deliver promptly to the Company an amount equal to the aggregate purchase price; or on such other terms and conditions as may be acceptable to the Committee (including, without limitation, the relinquishment of options or by payment in full or in part in the form of common stock).

Stock Appreciation Rights. The 2004 Plan authorizes the Committee to grant stock appreciation rights ("SARs") either in tandem with an option or independent of an option. An SAR is a right to receive a payment either in cash or common stock equal in value to the excess of the fair market value of one share of common stock on the date of exercise over the exercise price per share of the SAR. The Committee will determine the terms and conditions of SARs at the time of grant, but generally SARs will be subject to the same terms and conditions as options (as described above).

Restricted Stock Awards. The 2004 Plan authorizes the Committee to grant restricted stock awards. Recipients of restricted stock awards enter into an agreement with the Company subjecting the restricted stock awards to transfer and other restrictions and providing the criteria or dates on which such restrictions lapse. Restricted stock awards may vest over time, based on performance criteria or other factors (including, without limitation, performance goals that are intended to comply with the performance-based compensation exception under Section 162(m) of the Code), as determined by the Committee at grant. Unless the Committee determines otherwise at grant, the minimum restriction period for a restricted stock award will be three years (permitting pro-rata vesting over such three year period). A holder of a restricted stock award does not have any of the rights of a stockholder until such holder becomes a stockholder of record (with the exception of certain dividend rights). A shareholder of record has all of the attendant rights of a stockholder including the right to receive dividends, if any, the right to vote shares and, subject to and conditioned upon the full vesting of shares, the right to tender such shares.

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Performance Awards. The 2004 Plan authorizes the Committee to grant performance awards entitling participants to receive a fixed number of shares of common stock or cash, as determined by the Committee, upon the attainment of performance goals with respect to a designated performance period. Unless the Committee determines otherwise at grant, the minimum Performance Period shall be one year.

Other Awards. The 2004 Plan authorizes the Committee to grant awards of common stock and other awards that are valued in whole or in part by reference to, or are payable in or otherwise based on, common stock, including but not limited to:

shares of common stock awarded purely as a bonus in lieu of cash and not subject to any restrictions or conditions;

shares of common stock in payment of the amounts due under an incentive or performance plan sponsored or maintained by the Company or an affiliate;

stock equivalent units;

restricted stock units; and

awards valued by reference to book value of shares of common stock.

As noted above, performance-based awards granted under the 2004 Plan that are intended to satisfy the performance-based compensation exception under Section 162(m) of the Code will vest based on attainment of specified performance goals established by the Committee. These performance goals will be based on one or more of the following criteria selected by the Committee:

the attainment of a certain target level of, or a specified increase in, gross or operating margins of the Company (or a subsidiary, division, or other operational unit of the Company);

the attainment of certain target levels of, or a percentage increase in, after-tax or pre-tax profits of the Company, including without limitation that attributable to continuing and/or other operations of the Company (or in either case a subsidiary, division, or other operational unit of the Company);

the attainment of certain target levels of, or a specified increase in, enterprise value or value creation targets of the Company (or any subsidiary, division or other operational unit of the Company);

the attainment of certain target levels of, or a specified increase in, operational cash flow or economic value added of the Company (or a subsidiary, division, or other operational unit of the Company);

the attainment of a certain level of reduction of, or other specified objectives with regard to limiting the level of increase in all or a portion of, the Company's bank debt or other long-term or short-term public or private debt or other similar financial obligations of the Company, which may be calculated net of cash balances and/or other offsets and adjustments as may be established by the Committee;

the attainment of a specified percentage increase in earnings per share or earnings per share from continuing operations of the Company (or a subsidiary, division or other operational unit of the Company);

the attainment of certain target levels of, or a specified percentage increase in, net sales, revenues, net income or earnings before income tax or other exclusions of the Company (or a subsidiary, division, or other operational unit of the Company);

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the attainment of certain target levels of, or a specified increase in, return on capital employed or return on invested capital of the Company (or any subsidiary, division or other operational unit of the Company);

the attainment of certain target levels of, or a percentage increase in, after-tax or pre-tax return on stockholder equity of the Company (or any subsidiary, division or other operational unit of the Company);

the attainment of certain target levels in the fair market value of the shares of the common stock of the Company;

the growth in the value of an investment in the common stock of the Company assuming the reinvestment of dividends; or

a transaction that results in the sale of stock or assets of the Company.

The Committee may also exclude the impact of an event or occurrence which the Committee determines should be appropriately excluded, including:

restructurings, discontinued operations, extraordinary items and other unusual or non-recurring charges;

an event either not directly related to the operations of the Company or not within the reasonable control of the Company's management; or

a change in accounting standards required by generally accepted accounting principles.

In addition, such performance goals may be based upon the attainment of specified levels of Company (or subsidiary, division or other operational unit of the Company) performance under one or more of the measures described above relative to the performance of other corporations. The Committee may designate additional business criteria on which the performance goals may be based or adjust, modify or amend those criteria.

Amendment and Termination

Subject to the rules referred to in the balance of this paragraph, the Board of Directors or a Committee consisting solely of two or more Non-Employee Directors may at any time amend, in whole or in part, any or all of the provisions of the 2004 Plan, or suspend or terminate it entirely, retroactively or otherwise. Except to correct obvious drafting errors or as required to comply with applicable law or accounting rules, no such amendment may reduce the rights of a participant with respect to awards previously granted without the consent of such participant. In addition, without the approval of shareholders, no amendment may be made that would:

increase the aggregate number of shares of common stock that may be issued under the 2004 Plan;

increase the maximum individual participant share limitations for a fiscal year or year of a performance period;

change the classification of individuals eligible to receive awards under the 2004 Plan;

extend the maximum option term;

decrease the minimum exercise price of (i.e., reprice) any award;

materially alter the performance goals; or

require shareholder approval in order for the 2004 Plan to continue to comply with Section 162(m) of the Code or to satisfy the rules of Nasdaq.

Nontransferability

Except as the Committee may permit, at the time of grant or thereafter, awards granted under the 2004 Plan are not transferable by a participant other than by will or the laws of descent and distribution. Shares of common stock acquired by a permissible transferee shall continue to be subject to the terms of the Plan and the applicable award agreement.

Material U.S. Federal Income Tax Consequences of Stock Options

The following discussion of the principal U.S. federal income tax consequences with respect to options under the 2004 Plan is based on statutory authority and judicial and administrative interpretations as of the date of this proxy statement, which are subject to change at any time (possibly with retroactive effect) and may vary in individual circumstances. Therefore, the following is designed to provide a general understanding of the federal income tax consequences (state, local and other tax consequences are not addressed below). This discussion is limited to the U.S. federal income tax consequences to individuals who are citizens or residents of the U.S., other than those individuals who are taxed on a residence basis in a foreign country. The U.S. federal income tax law is technical and complex and the discussion below represents only a general summary.

THE FOLLOWING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT PURPORT TO ADDRESS ALL THE TAX CONSIDERATIONS THAT MAY BE RELEVANT. EACH RECIPIENT OF A GRANT IS URGED TO CONSULT HIS OR HER OWN TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES TO SUCH RECIPIENT OF THE GRANT AND THE DISPOSITION OF COMMON STOCK.

Stock Options. In general, an optionee will recognize no taxable income upon the grant of a non-qualified stock option and the Company will not receive a deduction at the time of such grant. Upon exercise of a non-qualified stock option, an optionee generally will recognize ordinary income in an amount equal to the excess of the fair market value of the common stock on the date of exercise over the exercise price. Upon a subsequent sale of the common stock by the optionee, the optionee will recognize short-term or long-term capital gain or loss, depending upon his holding period for the common stock. The Company will generally be allowed a deduction equal to the amount recognized by the optionee as ordinary income.

Section 162(m) of the Code. Section 162(m) of the Code denies a deduction to any publicly held corporation for compensation paid to certain "covered employees" in its taxable year to the extent that such compensation exceeds \$1,000,000. "Covered employees" are a company's chief executive officer on the last day of the taxable year and the next four highest paid officers of the Company whose compensation is required to be reported to stockholders in its proxy statement under the 1934 Act. Compensation paid to covered employees as a result of the exercise of non-qualified stock options granted in accordance with the terms of the 2004 Plan are intended to be "performance-based compensation" enabling the Company to receive a deduction for the full amount of such compensation without regard to the \$1,000,000 cap.

Parachute Payments. In the event that the payment of any award under the 2004 Plan is accelerated because of a change in ownership (as defined in Code Section 280G(b)(2)) and such payment of an award, either alone or together with any other payments made to the participant, constitutes parachute payments under Section 280G of the Code, then, subject to certain exceptions, a portion of such payments would be nondeductible to the Company and the participant would be subject to a 20% excise tax on such portion.

Future 2004 Plan Awards

Future awards under the 2004 Plan cannot be determined at this time, because such awards will be based upon prospective factors, including the nature of services to be rendered by current or prospective employees and officers of, advisors and independent consultants to, the Company or its affiliates, and directors who are neither officers nor employees of the Company or its affiliates and their potential contributions to the success of the Company.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE *FOR* THE APPROVAL OF THE BED BATH & BEYOND INC. 2004 INCENTIVE COMPENSATION PLAN.

SHAREHOLDER PROPOSAL (Proposal 4)

We have been notified that the following shareholder proposal will be presented for consideration at the Annual Meeting. Promptly upon receipt of an oral or written request we will provide you with the name and address of, and number of shares held by, each proponent.

Shareholder's Supporting Statement

The term "glass ceiling" was first used in a 1985 Wall Street Journal article to describe an artificial barrier to the advancement of women into corporate management positions. Senator Robert Dole introduced the Glass Ceiling Act, as part of Title II of the Civil Rights Act of 1991. President Bush signed the 1991 Civil Rights Act and established a bipartisan twenty-one member Glass Ceiling Commission. The Commission was charged with preparing recommendations on the glass ceiling issue for the President and corporate leaders.

In 1991, Secretary of Labor Lynn Martin completed the Glass Ceiling Initiative Report. Senator Dole praised the report, stating this "confirm(s) what many of us have suspected all along the existence of invisible, artificial barriers blocking women and minorities from advancing up the corporate ladder to management and executive level positions" and "for this Senator, the issue boils down to ensuring equal access and equal opportunity."

Secretary of Labor and Chairperson of the Glass Ceiling Commission Robert Reich states, "The glass ceiling is not only an egregious denial of social justice that effects two-thirds of the population, but a serious economic problem that takes a huge financial toll on American business." And "...we need to attract and retain the best, most flexible workers and leaders available, for all levels of the organization."

The stated vision of the bipartisan Glass Ceiling Commission is "a national corporate leadership fully aware that shifting demographics and economic restructuring make diversity at management and decision making levels a prerequisite for the long-term success of the United States in domestic and global market places." The report revealed that women make up 45.7 percent of the total workforce and earn over half of all Master degrees, yet 95 percent of senior-level managers are men. Women today earn about \$.72 for every dollar earned by men.

The Glass Ceiling Commission Report confirms inclusiveness in the workplace has a positive impact on the bottom line. A 1993 study of Standard and Poor 500 companies revealed, "firms that succeed in shattering their own glass ceiling racked up stock-market records that were nearly two and one half times better than otherwise comparable companies."

We believe that top management positions should more closely reflect the people in the workforce and marketplace if our company is going to remain competitive.

RESOLVED that shareholders request: The Board of Directors prepare a report, at reasonable cost and excluding confidential information, and available to shareholders four months after the annual

shareholder meeting, on our progress concerning the Glass Ceiling Commission's business recommendations including a review of:

1. Steps the company has taken to use the Glass Ceiling Commission Report and management's recommendations flowing from it.
2. Company-wide policies addressing leadership development, employee mentoring, workforce diversity initiatives and family friendly programs.
3. An explanation of how executive compensation packages and performance evaluations include executive efforts in breaking the glass ceiling.
4. The top one hundred or one percent of company wage earners broken down by gender and race.

Company's Statement of Opposition

What is the recommendation of the Board?

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THE ADOPTION OF THIS PROPOSAL.

Has this proposal been submitted before?

Yes. The identical proposal was presented the last two years and was defeated by the shareholders. The Board's position in opposing this proposal is discussed below and is essentially unchanged from prior years.

What is the Company's position regarding advancement opportunities for all?

In response to a suggestion last year from the principal sponsor of this proposal, the Company posted on its website its long-standing Commitment to Equal Opportunity and Diversity. Provided to all employees in their handbook, the statement provides in part:

We celebrate diversity and believe that our diverse workforce contributes to the strong bond our employees have with our customers. We also believe that our commitment to diversity and the outstanding opportunities for professional and personal growth we offer to all employees, regardless of background, contribute to the extraordinary high employee retention rate that we have long enjoyed.

Today, our thousands of associates throughout the country truly reflect a diverse community of individuals who have joined together in one common goal: to satisfy our customer. We remain committed to maintaining a diverse workforce that will help us continue our remarkable success well into the future, because when our employees take an active role in making their work location a better place to work and for our customers to shop, everyone benefits.

This states the Company's position well. Simply put, this Company could not have grown as it has, as successfully as it has, if it were otherwise.

How does the Company promote equal opportunity?

The Company executes on its commitment to mutual respect and equal opportunity in many ways. For instance, the Company attends many diversity job fairs throughout the country each year, to stimulate interest in our Company among a broad base of qualified applicants. In addition, the Company requires all its managers to participate in training that stresses not only the legal requirements of equal opportunity and a harassment-free workplace, but also the Company's

commitment to mutual respect in selecting and managing our people. The Company has always maintained and publicized among employees its "Open Door Policy," to encourage open communication of workplace issues, and for years well prior to the recent requirements in the context of corporate governance the Company has maintained a 1-800 number for employees to report any workplace concerns, anonymously if desired.

Mutual respect is at the heart of the Company's practices, procedures and guidelines, all of which are regularly reviewed and reported upon to the President and Chief Executive Officer to assure that our commitment to diversity and equal opportunity is reflected in our operations. There are women and members of minority groups in management positions at virtually all levels of the Company, including eight female Vice Presidents and the President of Christmas Tree Shops, Inc. It is the Company's policy and practice to recruit, hire, train, promote, transfer, compensate, and provide all other conditions of employment without regard to race, color, creed, religion, national origin, age, sex, marital status, lawful alien status, sexual orientation, physical or mental disability, citizenship status or veteran status. The opportunity to excel and advance is available equally to all.

Why does the Company oppose this proposal?

The Board of Directors does not believe this proposal would serve shareholder interests. The Company's employment decisions are based on merit and operating needs. The principal criteria in such decisions are an individual's qualifications, experience and the ability to contribute to the enhancement of the business without regard to gender, minority or other status.

The proponents of this proposal again cite a 10 year-old study of Standard and Poor 500 firms to suggest that companies that "shatter" glass ceilings have better stock market records. The Company does not believe that it has a glass ceiling. Moreover, the Company recently reported its financial results for fiscal 2003, which are also presented in the Annual Report to Shareholders which accompanies this Proxy Statement. Since going public in 1992 the year before the study cited by proponents was issued the Company's stock price (split-adjusted) has increased on average approximately 35% annually. During roughly the same period, the Standard and Poor 500 Index has increased about 9% on an annual basis.

During this period, the Company has more than doubled earnings every three years. This is a rare accomplishment. The Company has grown from 38 stores at the end of fiscal 1992 to 575 Bed Bath & Beyond stores, 24 Christmas Tree Shops stores, and 30 Harmon stores at the end of fiscal 2003. This growth was achieved and these acquisitions were made with internally generated funds, and the Company has been debt-free since 1995. We ended fiscal 2003 with approximately 29,000 employees in 44 states and Puerto Rico, compared with fewer than 2,000 when the Company went public in 1992.

The Company credits its associates for the performance that has yielded this growth, these employment opportunities, and this increase in shareholder value. As a matter of culture, the Company is not satisfied with past results, but neither does it accept that adoption of 10-year old recommendations and the allocation of Board and management resources to the effort will, of itself, improve the Company's performance.

The Company is committed to diversity and has been performing exceptionally well. Having met once and spoken several times with the principal sponsors of this proposal over the last few years, the Company has opened and maintained a dialogue with them and has invited input as to practices for the Company's consideration in this area. However, the Board of Directors believes that this proposal is inappropriately restrictive, would involve needless and significant cost in time and effort without any commensurate benefit, and would, therefore, be detrimental to the best interests of the Company and its shareholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE *AGAINST* THIS SHAREHOLDER PROPOSAL.

SHAREHOLDER PROPOSAL (Proposal 5)

RESOLVED, that stockholders of Bed Bath and Beyond Inc. ("Bed Bath and Beyond" or the "Company") urge the Compensation Committee of the Board of Directors (the "Committee") to adopt a policy requiring that senior executives retain a significant percentage of shares acquired through equity compensation programs during their employment, and to report to stockholders regarding the policy before the Company's 2005 annual meeting of stockholders. The Committee should define "significant" (and provide for exceptions in extraordinary circumstances) by taking into account the needs and constraints of the Company and its senior executives; however, the stockholders recommend that the Committee not adopt a percentage lower than 75% of net after tax shares. The policy should address the permissibility of transactions such as hedging transactions which are not sales but reduce the risk of loss to the executive.

Supporting Statement

Equity-based compensation makes up a substantial portion of senior executive compensation at Bed Bath and Beyond. During fiscal year 2002, CEO and President Steven Temares received cash compensation of \$833,000, while the stock options he received had a potential future value of \$5,964,751 or \$15,115,850, depending on the return assumption. According to the 2002 10-K, the potential dilutive effect of outstanding options and option plans was 11.92%.

The company believes that equity-based compensation promotes alignment between executive and shareholders interests. Unfortunately, the company's generous equity compensation programs have not translated into meaningful levels of stock ownership. The Company's 2003 proxy statement disclosed that Mr. Temares owned only 10,000 shares outright, but held 1,128,000 options. The 2002 proxy statement reports that for fiscal 2001, he exercised 548,000 options with realized value of \$12,766,350. Having exercised over 500,000 options, Mr. Temares still owns less than two percent of that number of shares. We believe that the alignment benefits touted by the Company are not being realized.

Requiring senior executives to hold a significant portion of shares obtained through compensation plans would focus them on the Company's long-term success and would help align their interests with those of the Company's stockholders. A recent report by the commission of The Conference Board endorsed the idea of such a requirement, stating that long-term focus promoted thereby "may help prevent companies from artificially propping up stock prices over the short-term to cash out options and making other potentially negative short-term decisions."

As long-term shareholders, we believe it's critical for compensation programs to incentivize executives to manage for the company's long-term interests. Recent events have, we think, shown the dangers of a short-term mentality in which executives extract value through equity-based compensation, then cash out before the effects of their mismanagement becomes apparent to other stockholders.

We urge stockholders to vote for this proposal.

Company's Statement in Opposition

What is the recommendation of the Board?

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THE ADOPTION OF THIS PROPOSAL.

Why does the Company oppose this proposal?

The Board of Directors does not believe this proposal would serve shareholder interests. We believe that our equity compensation and incentive policies have been successful in helping us attract and retain talented people and in motivating them to build long-term value for our shareholders. These

policies are and have been an important element in the superior rate of retention of our executives, as well as the extraordinary growth and success of the Company.

How do the Board's compensation policies reflect shareholder interests?

The Board believes that it is critical to provide incentive to our executives to maximize long and short-term shareholder interests. To further these goals, we award stock options to executives with a 10 year duration that typically only fully vest over a period ranging from five to seven years from the date of grant. Our lengthy vesting periods result in executives usually having a larger interest in unvested options than vested options, which serves to align the executives' interests with the long-term interests of the Company and further helps to retain the executive.

The one example of an option exercise cited in support of the proposal involved a senior executive who over two years ago exercised a large number of options. This exercise came after approximately 10 years of phenomenal earnings growth at the Company following its 1992 initial public offering, during which time the Company's stock split four times and the split-adjusted share price grew over 30 times. As indicated elsewhere in this Proxy Statement, almost half of this executive's currently outstanding stock options are unvested, so that, even after this option exercise, he retains significant long-term incentive at the Company.

Why are stock options an important part of the Board's compensation policies?

The Board is mindful that stock options are intended as incentive compensation. We believe that our executives often receive less total cash compensation than they could earn at other companies and rely heavily on gains from stock options. Other companies use substantial cash bonuses as a major part of executive compensation, while this Company historically has not. Furthermore, in many cases, our executives' interest in their vested options makes up a high proportion of their net worth and, consequently, executives may need diversification in their portfolios. Accordingly, the Board does not believe that it is in the interests of the Company to place restrictions on an executive's ability to realize gains on vested stock options.

The Company's current executive stock option policies give us flexibility in attracting and retaining executive talent. These policies are designed to provide competitive compensation in the marketplace. The Board believes that the majority of our peer companies do not impose limitations similar to those set forth in the proposal on the sale of shares acquired on exercise of stock options. As a result, the Board believes that requiring our executives to hold for a predetermined period of time a certain percentage of the stock acquired by exercising stock options would make it more difficult to attract, recruit, motivate and retain the quality of executive talent the Company needs to maintain its record of successful growth. We believe it is in the best interests of our shareholders to retain the flexibility to grant stock options with the terms that we believe to be most appropriate for attracting and retaining top caliber talent.

How does the Company view equity compensation for key employees going forward?

As a general philosophical matter, the Company strongly believes that a significant portion of the compensation and incentive package of all key employees, including executives, should be linked to the success of the Company, as measured by the long term appreciation in the market value of the Company, through the grant of stock options or other forms of equity compensation. As we continue to improve and grow our Company, we will continue to strive for long-term profitable performance, based on prudent planning and superior execution. We believe our philosophy has been validated by our performance since we went public in 1992, which has been one of the strongest among all public companies during this period. For these reasons and the reasons stated in the foregoing paragraphs, we believe that the adoption of the proposal is unnecessary and would be detrimental to the long-term interests of our shareholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE AGAINST THIS SHAREHOLDER PROPOSAL.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table shows the aggregate compensation earned by the Company's two Co-Chairmen, its President and Chief Executive Officer, and the two other highest paid executive officers of the Company for services rendered in fiscal 2003, 2002 and 2001.

Name and Principal Position	Annual Compensation			Long Term Compensation		
	Year	Salary(\$)	Bonus(\$)	Restricted Stock Award(s)(\$)	Securities Underlying Options(#)	All Other Compensation(\$)
Warren Eisenberg Co-Chairman	2003	981,000(a)	0	0	400,000	61,749(b)
	2002	883,000(a)	0	0	300,000	253,721(b)
	2001	792,000(a)	0	0	300,000	343,942(b)
Leonard Feinstein Co-Chairman	2003	981,000(c)	0	0	400,000	60,602(d)
	2002	883,000(c)	0	0	300,000	221,898(d)
	2001	792,000(c)	0	0	300,000	281,291(d)
Steven H. Temares President and Chief Executive Officer	2003	931,000(e)	0	0	400,000	
	2002	833,000(e)	0	0	300,000	
	2001	733,000(e)	0	0	300,000	
Arthur Stark Chief Merchandising Officer and Senior Vice President	2003	548,000(e)	0	0	100,000	
	2002	492,000(e)	0	0	75,000	
	2001	442,000(e)	0	0	75,000	
Matthew Fiorilli Senior Vice President Stores	2003	548,000(e)	0	0	100,000	
	2002	490,000(e)	0	0	75,000	
	2001	432,000(e)	0	0	75,000	

- (a) Mr. Eisenberg is employed by the Company pursuant to an employment agreement. See "Agreements with Messrs. Eisenberg and Feinstein" below.
- (b) Includes: (i) certain personal benefits provided by the Company to Mr. Eisenberg in fiscal 2003, 2002 and 2001 (such as the use of Company cars for non-business purposes and tax preparation services) at an aggregate cost to the Company of approximately \$60,336 (including other advisory services), \$55,089 (including other advisory services), and \$28,768, respectively; (ii) insurance premiums in the amount of approximately \$1,413, \$1,508, and \$2,680 in fiscal 2003, 2002 and 2001, respectively, paid by the Company in respect of certain insurance policies; and (iii) other premium payments under the Insurance Policies (as defined below) of \$0 in fiscal 2003, \$197,124 in fiscal 2002, and \$312,494 in fiscal 2001. See "Agreements with Messrs. Eisenberg and Feinstein" below.
- (c) Mr. Feinstein is employed by the Company pursuant to an employment agreement. See "Agreements with Messrs. Eisenberg and Feinstein" below.
- (d) Includes: (i) certain personal benefits provided by the Company to Mr. Feinstein in fiscal 2003, 2002 and 2001 (such as the use of Company cars for non-business purposes and tax preparation services) at an aggregate cost to the Company of approximately \$57,776 (including other advisory services), \$61,612 (including other advisory services), and \$35,953, respectively; (ii) insurance premiums in the amount of approximately \$2,826, \$3,016, and \$1,340 in fiscal 2003, 2002 and 2001, respectively, paid by the Company in respect of certain insurance policies; and (iii) other premium payments under the Insurance Policies of \$0 in fiscal 2003, \$157,270 in fiscal 2002, and \$243,998 in fiscal 2001. See "Agreements with Messrs. Eisenberg and Feinstein" below.
- (e) Messrs. Temares, Stark and Fiorilli are employed by the Company pursuant to agreements described below under "Agreements with Messrs. Temares, Stark and Fiorilli".

STOCK OPTIONS

The following table sets forth information as of February 28, 2004 for each of the executive officers of the Company named in the Summary Compensation Table with respect to options granted during fiscal 2003 and their potential value (at the end of the option term assuming certain levels of appreciation of the Company's common stock).

Option Grants in Fiscal 2003

Name	Number of Securities Underlying Options Granted(#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(1)	
					5%(\$)	10%(\$)
Warren Eisenberg	400,000(2)	7.07%	\$ 38.22	4/25/13	9,614,541	24,365,135
Leonard Feinstein	400,000(2)	7.07%	\$ 38.22	4/25/13	9,614,541	24,365,135
Steven H. Temares	400,000(3)	7.07%	\$ 38.22	4/25/13	9,614,541	24,365,135
Arthur Stark	100,000(4)	1.77%	\$ 38.22	4/25/13	2,403,635	6,091,284
Matthew Fiorilli	100,000(4)	1.77%	\$ 38.22	4/25/13	2,403,635	6,091,284

(1) The dollar amounts under these columns are the result of calculations at the hypothetical rates of 5% and 10% set by the SEC and therefore are not intended to forecast possible future appreciation, if any, of the Company's common stock price.

(2) Options to purchase 400,000 shares were granted to each of Messrs. Eisenberg and Feinstein on April 25, 2003 and are exercisable in three (3) equal annual installments commencing on the first anniversary of the date of grant.

(3) Options to purchase 400,000 shares were granted to Mr. Temares on April 25, 2003 and are exercisable in five (5) equal annual installments commencing on the first anniversary of the date of grant.

(4) Options to purchase 100,000 shares were granted to each of Messrs. Stark and Fiorilli on April 25, 2003 and are exercisable in five (5) equal annual installments commencing on the third anniversary of the date of grant.

Fiscal Year-End Option Values

The following table sets forth information for each of the named executive officers with respect to option exercises during fiscal 2003 and the value of outstanding or unexercised options held as of February 28, 2004.

Name	Shares Acquired on Exercise (#)(1)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at February 28, 2004(1)		Value of the Unexercised In-the-Money Options at February 28, 2004(2)	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
Warren Eisenberg(3)	1,800,000	52,824,470	100,000	700,000	931,500	4,661,850
Leonard Feinstein(3)	1,800,000	52,824,470	100,000	700,000	931,500	4,661,850
Steven H. Temares			1,228,000	1,180,000	33,726,398	16,964,854
Arthur Stark			274,000	514,000	8,830,313	9,836,772
Matthew Fiorilli			326,000	514,000	10,328,609	9,836,772

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- (1) Reflects two-for-one stock splits distributed in 1993, 1996, 1998 and 2000.
- (2) Represents the difference between the closing market price of the common stock on February 28, 2004 of \$40.93 per share and the exercise price per share of the options, multiplied by the number of shares underlying the options.
- (3) The options granted to Messrs. Eisenberg and Feinstein may be assigned by them to their respective spouses and descendants or to trusts for their benefit.

AGREEMENTS WITH MESSRS. EISENBERG AND FEINSTEIN

Messrs. Eisenberg and Feinstein have employment agreements with the Company for executive employment terms expiring on June 30, 2007, or as extended by mutual agreement. These agreements provide for salaries at the rate of \$800,000 per year which may be increased from time to time by the Company. Under these agreements Messrs. Eisenberg and Feinstein may at any time elect senior status (i.e., to be continued to be employed to provide non-line executive consultative services) at an annual salary of 50% of their salary prior to such election (or, if greater, \$400,000 plus a cost of living adjustment) for a period (the "Senior Status Period") of up to ten years from the date of such election. If not previously elected, the Senior Status Period will commence at the expiration of the executive employment term. While on senior status, the executive does not have to devote more than 50 hours in any three-month period to his consultative duties. Following the Senior Status Period, Messrs. Eisenberg and Feinstein are each entitled to supplemental pension payments of \$200,000 per year (plus a cost of living adjustment) until the death of the survivor of him and his current spouse. The agreements contain non-competition, non-solicitation and confidentiality provisions. These provisions generally apply through the term of employment, including the Senior Status Period and any other time when salary payments are required to be made under the agreement. The agreements also provide for some of Messrs. Eisenberg's and Feinstein's employee benefits to continue during their active employment, their Senior Status Period and during the period of supplemental pension payments. The agreements also provide that in the event of a change in control of the Company, Mr. Eisenberg and/or Mr. Feinstein may, at his option, terminate employment and receive three years' annual salary, if termination is prior to the Senior Status Period, and 50% of his salary times the number of years remaining in the Senior Status Period, if termination is during such Senior Status Period, plus in either case a tax gross up to the extent any such payment constitutes a "parachute payment." Under the agreements, Messrs. Eisenberg and Feinstein can also terminate employment and be paid through the end of the term of employment and the Senior Status Period (or, if the Company chooses, in a lump sum on a present value discounted basis) if the executive is removed from or not reelected to any officer or director position or there is a material diminution in the executive's duties.

The Company previously had "split dollar" insurance agreements with trusts established by each of Messrs. Eisenberg and Feinstein and their wives. Under these agreements, the Company previously contracted to pay a portion of the premiums payable on the outstanding life insurance policies on the joint lives of each of Messrs. Eisenberg and Feinstein and their wives, each with aggregate face values of \$30 million (the "Insurance Policies"). As a result of the enactment of the Sarbanes-Oxley Act on July 30, 2002, the Company ceased paying premiums under the Insurance Policies due after such date. During fiscal 2003, the trusts established by Messrs. Eisenberg and Feinstein and their wives repaid the Company the aggregate amount of the premiums under the "split dollar" insurance agreements since the inception of the Insurance Policies, namely \$2,996,941 and \$2,398,679, respectively. The Company entered into deferred compensation agreements with Messrs. Eisenberg and Feinstein under which the Company is obligated to pay Messrs. Eisenberg and Feinstein \$2,125,000 and \$2,080,000, respectively, in each case payable only on the last day of the first full fiscal year of the Company in which the total compensation of Mr. Eisenberg or Feinstein, as applicable, will not result in the loss of a deduction for such payment pursuant to applicable federal income tax law.

AGREEMENTS WITH MESSRS. TEMARES, STARK AND FIORILLI

Messrs. Temares, Stark and Fiorilli, as well as some other executives of the Company, have employment agreements with the Company. The agreements with the three named executives provide for severance pay equal to three years' salary if the Company terminates their employment (subject to reduction under certain circumstances) and one year's severance pay if the executive voluntarily leaves