BED BATH & BEYOND INC
Form 10-K
April 30, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

For the fiscal year ended March 1, 2008

Commission File Number **0-20214**

BED BATH & BEYOND INC.

(Exact name of registrant as specified in its charter)

New York	**11-2250488**
(State of incorporation)	(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**

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

Name of each exchange on

Title of each class	which registered
None	None

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

Common Stock (par value $ 0.01 per share)

(Title of class)

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

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

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 x No o

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

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 x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

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

As of September 1, 2007, the aggregate market value of the common stock held by non-affiliates (which was computed by reference to the closing price on such date of such stock on the NASDAQ National Market) was $8,587,093,469.*

The number of shares outstanding of the issuer s common stock (par value $0.01 per share) at March 29, 2008: 258,923,423.

Documents Incorporated by Reference

Portions of the Registrant s definitive proxy statement for the 2008 Annual Meeting of Shareholders pursuant to Regulation 14A are incorporated by reference in Part III hereof.

* For purposes of this calculation, all outstanding shares of common stock have been considered held by non-affiliates other than the 16,925,965 shares beneficially owned by directors and executive officers, including in the case of the Co-Chairmen trusts and foundations affiliated with them. In making such calculation, the Registrant does not determine the affiliate or non-affiliate status of any shares for any other purpose.

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PART I

Unless otherwise indicated, the term Company refers collectively to Bed Bath & Beyond Inc. and subsidiaries as of March 1, 2008. The Company s fiscal year is comprised of the 52 or 53 week period ending on the Saturday nearest February 28. Accordingly, fiscal 2007 and fiscal 2005 represented 52 weeks and ended on March 1, 2008 and February 25, 2006, respectively. Fiscal 2006 represented 53 weeks and ended on March 3, 2007. Unless otherwise indicated, all references herein to periods of time (e.g., quarters and years) are to fiscal periods.

ITEM 1 - BUSINESS

Introduction

Bed Bath & Beyond Inc. and subsidiaries (the Company) 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 (acquired on March 22, 2007). 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 believes that it is the nation s largest operator of stores selling predominantly domestics merchandise and home furnishings while offering a breadth and depth of selection in most of its product categories that exceeds what is generally available in department stores or other specialty retail stores.

History

The Company was founded in 1971 by Leonard Feinstein and Warren Eisenberg, the Co-Chairmen of the Company. Each has more than 47 years of experience in the retail industry.

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

Operations

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

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

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

Merchandise Presentation. BBB has developed a distinctive style of merchandise presentation. Primarily all of the BBB stores have groups of related product lines presented together in separate areas of each store, creating the appearance that the store is comprised of several individual specialty stores for different product lines. BBB believes that its format of merchandise presentation makes it easy for customers to locate products, reinforces customer perception of wide selection and communicates to customers that its stores offer a level of customer service generally associated with smaller specialty stores.

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

Advertising. In general, the Company relies on word of mouth advertising, its reputation for offering a wide assortment of quality merchandise at everyday low prices and the use of paid advertising. The Company distributes full-color circulars and other advertising pieces as its primary vehicles of paid advertising via direct mail or inserts. Also, to support the opening of new stores, the Company primarily uses grand opening circulars and newspaper advertising.

Customer Service. The Company places a strong focus on customer service and seeks to make shopping at its stores as pleasant and convenient as possible. Most stores are open seven days (and six evenings) a week in order to enable customers to shop at times that are convenient for them. In addition, the Company s websites, www.bedbathandbeyond.com, www.christmastreeshops.com, www.harmondiscount.com, www.facevalues.com and www.buybuybaby.com are available for customers to access 24 hours a day, seven days a week.

Suppliers

In fiscal 2007, the Company purchased its merchandise from approximately 5,800 suppliers. In fiscal 2007, the Company s largest supplier accounted for approximately 3% of the Company s merchandise purchases and the Company s 10 largest suppliers accounted for approximately 19% of such purchases. The Company purchases substantially all of its merchandise in the United States, the majority from domestic sources and the balance from importers. The Company purchases a small amount of its merchandise directly from overseas sources. The Company has no long-term contracts for the purchase of merchandise. The Company believes that most merchandise, other than brand name goods, is available from a variety of sources and that most brand name goods can be replaced with comparable merchandise.

Warehousing

The Company s merchandise displays allow a substantial amount of merchandise to be displayed on the sales floor at all times. Merchandise not displayed on the sales floor is typically stored in warehouse space within the store. In addition, the Company maintains twelve supplemental storage locations as well as three central distribution centers. Merchandise is shipped directly to stores from vendors through a network of third party carriers, service providers and the central distribution centers.

In addition, the Company maintains three E-Service fulfillment centers.

Employees

As of March 1, 2008, the Company employed approximately 39,000 persons in full-time and part-time positions. The Company believes that its relations with its employees are very good and that the labor turnover rate among its management employees is lower than that generally experienced within the industry.

Seasonality

The Company 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.

Expansion Program

The Company is engaged in an ongoing expansion program involving the opening of new stores in both new and existing markets, the expansion or relocation of existing stores and the continuous review of strategic acquisitions. In the sixteen year period from the beginning of fiscal 1992 to the end of fiscal 2007, the Company has grown from 34 stores to 971 stores. The Company s 971 stores operate in 49 states, the District of Columbia, Puerto Rico and Canada, including: 881 BBB stores operating in 49 states, the District of Columbia, Puerto Rico and Canada; 41 CTS stores operating in 10 states; 40 Harmon stores operating in 3 states; and 9 buybuy BABY stores operating in 4 states. Total square footage grew from approximately 917,000 square feet at the beginning of fiscal 1992 to approximately 30.2 million square feet at the end of fiscal 2007. During fiscal 2007, the Company opened 66 BBB stores, 7 CTS stores, 1 Harmon store and 1 buybuy BABY store, in addition to acquiring 8 buybuy BABY stores in March 2007, all of which resulted in the aggregate addition of approximately 2.4 million square feet of store space.

The Company intends to continue its expansion program and believes that the continued growth of the Company is dependent, in large part, on the success of this program. As part of its expansion program, the Company expects to open new stores and expand existing stores as opportunities arise. The Company opened its first international store in Canada in December 2007 and is actively pursuing its expansion opportunities in Canada. In addition, the Company continues to explore other international opportunities.

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

Competition

The Company believes it is the preeminent retailer in its segment of the home goods industry, which is fragmented and highly competitive. In addition, the BBB stores compete with many different types of retail stores that sell many or most of the same products. Such competitors include: (i) department stores, which often carry many of the same product lines as the Company s stores but do not typically have the same depth or breadth of product selection, (ii) specialty stores, which often have a depth of product selection but typically carry only a limited portion of the product lines carried by the Company s stores, (iii) discount and mass merchandise stores and (iv) national chains. In addition, the Company s stores compete, to a more limited extent, with factory outlet stores that typically offer limited quantities or limited lines of quality merchandise at discount prices.

Other retail chains continue to introduce new store concepts that include many of the product lines carried by the Company s stores. There can be no assurance that the operation of store competitors will not have a material effect on the Company.

Tradenames and Service Marks

The Company uses the Bed Bath & Beyond name and logo and the Beyond any store of its kind tag line as service marks in connection with retail services. The Company has registered these marks and others, including names and logos of CTS, Harmon and buybuy BABY, with the United States Patent and Trademark Office. The Company also has registered or has applications pending with the trademark registries of several foreign countries, including having registered the Bed Bath & Beyond name and logo and the Beyond any store of its kind tag line in Canada. Management believes that its name recognition and service marks are important elements of the Company s merchandising strategy.

Available Information

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

ITEM 1A RISK FACTORS

FORWARD-LOOKING STATEMENTS

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

General Economic Conditions

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

Competition and Pricing Pressures

The retail business is highly competitive. The Company competes for customers, associates, locations, merchandise, services and other important aspects of the business with many other local, regional and national retailers. Those competitors range from specialty retail stores to department stores and discounters. Unanticipated changes in the pricing and other practices of those competitors, including promotional activity, may adversely affect the Company s performance.

Consumer Preferences and Demographic Factors

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

Unusual Weather Patterns

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

Cost of Labor, Merchandise and Other Expenses

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

Expansion Program

The Company s growth depends, in part, on our ability to open new stores and operate profitably. Our ability to open additional stores successfully will depend on a number of factors, including our identification and availability of suitable store locations; our success in negotiating leases on acceptable terms; our hiring and training of skilled store operating personnel, especially management; and our timely development of new stores, including the availability of construction materials and labor and the absence of significant construction and other delays in store openings based on weather or other events. In addition, as our business continues to grow, we are subject to more complex state and federal regulations and may be the target of private actions alleging violations of such regulations. This increases the cost of doing business and the risk that our business practices could result in liabilities that may adversely affect the Company s performance, despite the exercise of reasonable care.

Auction Rate Securities

The Company has investments in auction rate securities. These securities 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% and also are invested in securities collateralized by student loans which are currently more than 100% collateralized and with approximately 90% of such collateral in the aggregate being guaranteed by the United States government. None of the auction rate securities held by the Company are mortgage-backed debt obligations. Due to current market conditions, these investments have experienced failed auctions beginning in mid-February 2008. These failed auctions result in a lack of liquidity in the securities, but do not affect the underlying collateral of the securities. All of these investments carry triple-A credit ratings from one or more of the major credit rating agencies and the Company believes that given their high credit quality, it will ultimately recover at par all amounts invested in these securities. Included in its long term investment securities are approximately $326.7 million par value of auction rate securities, less a temporary valuation adjustment of approximately $7.2 million to reflect the current lack of liquidity of these investments. The Company recorded this temporary valuation adjustment in other comprehensive income, net of the related tax benefit of $2.7 million, which did not affect fiscal 2007 earnings, and reclassified these investments to long term investment securities to reflect the current lack of liquidity of these investments. The Company does not anticipate that any potential lack of liquidity in these 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, including the recent announcements by certain asset managers to redeem a portion of their outstanding auction rate securities. However, if the interest rate environment changes, the Company may incur further unrealized losses. If uncertainties in the credit and capital markets continue and these markets deteriorate further, the Company may conclude that the decline in value is other than temporary and incur realized losses, including up to the full amount of the investments in auction rate securities, which could negatively affect the Company s financial condition, cash flow and results of operations.

Review of Equity Grants and Procedures and Related Matters

In June 2006, the Company s Board of Directors appointed a special committee of independent directors with authority, among other things, to conduct an investigation with respect to the setting of exercise prices for employee stock options and related matters. The review identified various deficiencies in the process of granting and documenting stock options and restricted shares. As a result of the deficiencies, the Company revised the measurement dates for various option grants. Counsel to the special committee notified the SEC of the review. Following such self-reporting, the SEC Staff commenced an informal inquiry and the United States Attorney s Office for the District of New Jersey commenced an inquiry regarding these matters. During fiscal 2007, the United States Attorney s Office for the District of New Jersey concluded its inquiry and indicated it will take no further action related to this matter. The Company continues to cooperate with the SEC in conjunction with its inquiry.

The Company s past stock option granting process has exposed the Company to risk factors that could have a material adverse affect on the Company s business and financial condition, 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 as set forth in the Company s Form 8-K filed October 10, 2006, 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.

ITEM 1B UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

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

The Company s 971 stores are located in 49 states, the District of Columbia, Puerto Rico and Canada and range in size from approximately 5,000 to 100,000 square feet, but are predominantly between 20,000 and 50,000 square feet. Approximately 85% to 90% of store space is used for selling areas and the balance for warehouse, receiving and office space.

The table below sets forth the locations of the Company s stores as of March 1, 2008:

BED BATH & BEYOND STORES				**CHRISTMAS TREE SHOPS STORES**	
Alabama	12	Nebraska	5	Connecticut	4
Alaska	2	Nevada	8	Delaware	1
Arizona	22	New Hampshire	6	Maine	2
Arkansas	5	New Jersey	35	Massachusetts	16
California	101	New Mexico	5	New Hampshire	3
Colorado	24	New York	57	New Jersey	3
Connecticut	16	North Carolina	28	New York	7
Delaware	1	North Dakota	2	Pennsylvania	2
Florida	65	Ohio	37	Rhode Island	2
Georgia	24	Oklahoma	5	Vermont	1
Idaho	7	Oregon	9	**Total**	**41**
Illinois	36	Pennsylvania	30		
Indiana	18	Rhode Island	3	**HARMON STORES**	
Iowa	7	South Carolina	13		
Kansas	7	South Dakota	1	Connecticut	2
Kentucky	7	Tennessee	17	New Jersey	29
Louisiana	12	Texas	68	New York	9
Maine	5	Utah	11	**Total**	**40**
Maryland	16	Vermont	2		
Massachusetts	24	Virginia	26	**buybuy BABY STORES**	
Michigan	31	Washington	21		
Minnesota	9	West Virginia	2	Maryland	1
Mississippi	5	Wisconsin	10	New Jersey	3
Missouri	12	Wyoming	2	New York	4
Montana	5	District of Columbia	1	Virginia	1
		Puerto Rico	3	**Total**	**9**
		Ontario, Canada	1		
		Total	**881**		

The Company leases primarily all of its existing stores. The leases provide for original lease terms that generally range from 10 to 20 years and certain leases provide for renewal options, often at increased rents. Certain leases provide for scheduled rent increases (which, in the case of fixed increases, the Company accounts for on a straight-line basis over the expected lease term, beginning when the Company obtains possession of the premises) and/or for contingent rent (based upon store sales exceeding stipulated amounts).

In addition, the Company leases storage space in 15 locations, totaling approximately 1.2 million square feet, that provide supplemental merchandise storage space and fulfillment of BBB s E-Service activities. This space is used to supplement the warehouse facilities in the Company s stores in proximity to these locations. In addition, the Company also owns two distribution centers totaling approximately 1.5 million square feet.

As of March 1, 2008, the Company leased a combined total of approximately 160,000 square feet in three locations (Farmingdale, New York; South Yarmouth, Massachusetts; and Garden City, New York) for its procurement and office functions. The Company owns the Union, New Jersey corporate office location and occupies approximately 170,000 square feet of office space at that location. In fiscal 2007, the Company purchased a building in Union, New Jersey next to the corporate office location to support its continuing headquarters growth.

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ITEM 3 - LEGAL PROCEEDINGS

During fiscal 2006, two purported derivative actions were filed in New Jersey Superior Court naming several officers and the directors of the Company as defendants and making allegations concerning alleged historical options backdating practices at the Company. Those two actions were consolidated, and a consolidated complaint was filed in late November 2006 (the Consolidated State Derivative Case). Subsequently, five additional purported derivative actions were filed, all concerning the same subject matter. *Wandel v. Eisenberg, et al.* was filed on October 19, 2006 in the Supreme Court of the State of New York, County of New York; *Jamieson v. Eisenberg, et al*. was filed on January 5, 2007 in the New Jersey Superior Court; and three cases were filed in the United States District Court for the District of New Jersey, *Snowball Capital Appreciation Fund v. Eisenberg, et al.*; *Crowley v. Temares, et al.*; and *Cummings v. Temares, et al.* on October 17, 2006, October 24, 2006 and October 25, 2006, respectively. The *Snowball Capital Appreciation Fund v. Eisenberg, et al.* and *Jamieson v. Eisenberg, et al.* cases have been voluntarily dismissed. The *Crowley v. Temares, et al*. and *Cummings v. Temares, et al.* cases have been consolidated (the Consolidated Federal Derivative Case). During the fiscal first quarter of 2007, the *Wandel v. Eisenberg, et al*. case was dismissed by the Supreme Court of the State of New York, but the plaintiff in the case has filed a notice of appeal. During the fiscal third quarter of 2007, the Consolidated Federal Derivative Case was dismissed by the United States District Court for the District of New Jersey. During the fiscal fourth quarter of 2007, the Consolidated State Derivative Case was dismissed by the New Jersey Superior Court. No appeals were filed in either the Consolidated Federal or the Consolidated State Derivative Cases.

In the sole remaining derivative case, *Wandel v. Eisenberg, et al.*, the Company is a nominal defendant against which no recovery is sought. The Company has commenced a separate action in the Supreme Court of New York against the shareholders who had brought the Consolidated State 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 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders through solicitation of proxies or otherwise during the fourth quarter of the fiscal year ended March 1, 2008.

Executive Officers of the Registrant

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

Name	**Age**	**Positions**
Warren Eisenberg	*77*	*Co-Chairman and Director*
Leonard Feinstein	*71*	*Co-Chairman and Director*

Steven H. Temares	*49*	*Chief Executive Officer and Director*
Arthur Stark	*53*	*President and Chief Merchandising Officer*
Matthew Fiorilli	*51*	*Senior Vice President Stores*
Eugene A. Castagna	*42*	*Chief Financial Officer and Treasurer*

Warren Eisenberg is a Co-Founder of the Company and has served as Co-Chairman since 1999. He has served as a Director since 1971. Mr. Eisenberg served as Chairman from 1992 to 1999, and served as Co-Chief

Executive Officer from 1971 to April 2003.

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

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

Arthur Stark has been President and Chief Merchandising Officer since January 2006. Mr. Stark has served as Chief Merchandising Officer since 1999 and was a Senior Vice President from 1999 to 2006. Mr. Stark joined the Company in 1977.

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

Eugene A. Castagna has been Chief Financial Officer and Treasurer since January 2006. Mr. Castagna served as Assistant Treasurer from 2002 to 2006 and as Vice President - Finance from 2000 to 2006. Mr. Castagna is a certified public accountant and joined the Company in 1994.

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

PART II

ITEM 5 - MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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

	High	Low
Fiscal 2007:		
1st Quarter	$ 41.82	$ 38.83
2nd Quarter	40.47	32.83
3rd Quarter	36.06	29.29
4th Quarter	32.73	25.81

	High	Low
Fiscal 2006:		
1st Quarter	$ 40.82	$ 35.22
2nd Quarter	36.92	31.42
3rd Quarter	41.24	33.29
4th Quarter	43.02	38.04

The common stock is quoted through the NASDAQ National Market System under the symbol BBBY. On March 29, 2008, there were approximately 5,000 shareholders of record of the common stock (without including individual participants in nominee security position listings). On March 29, 2008, the last reported sale price of the common stock was $29.11.

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

The Company s purchases of its common stock during the fourth quarter of fiscal 2007 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)
December 2, 2007 - December 29, 2007	1,000	$ 29.56	1,000	1,069,575,497
December 30, 2007 - January 26, 2008	1,878,000	$ 26.65	1,878,000	1,019,531,016
January 27, 2008 - March 1, 2008	1,716,000	$ 30.51	1,716,000	967,174,067
Total	3,595,000	$ 28.49	3,595,000	967,174,067

(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.

Stock Price Performance Graph

The graph shown below compares the performance of the Company s common stock with that of the S&P 500 Index, the S&P Specialty Retail Index and the S&P Retail Composite Index over the same period (assuming the investment of $100 in the Company s common stock and each of the three Indexes on March 1, 2003, and the reinvestment of all dividends).

ITEM 6 - SELECTED FINANCIAL DATA

Consolidated Selected Financial Data

(in thousands, except per share and selected operating data)	Fiscal Year Ended (1) March 1, 2008 (2)	March 3, 2007	February 25, 2006	February 26, 2005	February 28, 2004 (3)
Statement of Earnings Data:					
Net sales	$ 7,048,942	$ 6,617,429	$ 5,809,562	$ 5,147,678	$ 4,477,981
Gross profit	2,925,231	2,835,402	2,485,748	2,186,301	1,876,664
Operating profit	838,022	889,401	879,171	792,414	639,343
Net earnings	562,808	594,244	572,847	504,964	399,470
Net earnings per share - Diluted (4)	$ 2.10	$ 2.09	$ 1.92	$ 1.65	$ 1.31
Selected Operating Data:					
Number of stores open (at period end)	971	888	809	721	629
Total square feet of store space (at period end)	30,181,000	27,794,000	25,502,000	22,945,000	20,472,000
Percentage increase in comparable store sales	1.0%	4.9%	4.6%	4.5%	6.3%
Comparable store net sales (in 000 s)	$ 6,457,268	$ 6,068,694	$ 5,281,675	$ 4,468,095	$ 3,902,308
Number of comparable stores	792	683	605	535	416
Balance Sheet Data (at period end):					
Working capital	$ 1,065,599	$ 1,553,541	$ 1,082,399	$ 1,223,409	$ 1,199,752
Total assets	3,844,093	3,959,304	3,382,140	3,199,979	2,865,023
Long-term debt					
Shareholders equity (5)	$ 2,561,828	$ 2,649,151(6)	$ 2,262,450	$ 2,203,762	$ 1,990,820

(1) Each fiscal year represents 52 weeks, except for fiscal 2006 (ended March 3, 2007) which represents 53 weeks.

(2) On March 22, 2007, the Company acquired buybuy BABY, Inc.

(3) On June 19, 2003, the Company acquired Christmas Tree Shops, Inc.

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

(5) In fiscal 2007, 2006, 2005 and 2004, the Company repurchased approximately $734 million, $301 million, $598 million and $350 million of its common stock, respectively.

(6) In fiscal 2006, the Company adopted Staff Accounting Bulletin 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" resulting in a one-time net reduction to Shareholders' equity. See Note 3 in the Consolidated Financial Statements.

ITEM 7 - 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 and fuel costs, 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 fiscal 2007 results reflect the challenges presented by certain macroeconomic conditions, including the economic slowdown, in general; specific issues related to the housing and mortgage industries; and a heightened promotional environment. The following represents an overview of the Company s financial performance for the periods indicated:

• Net sales in fiscal 2007 (fifty-two weeks) increased approximately 6.5% to $7.049 billion; net sales in fiscal 2006 (fifty-three weeks) increased approximately 13.9% to $6.617 billion over net sales of $5.810 billion in fiscal 2005 (fifty-two weeks).

• Comparable store sales for fiscal 2007 increased by approximately 1.0% as compared with an increase of approximately 4.9% and 4.6% in fiscal 2006 and 2005, respectively. Comparable store sales percentages are calculated based on an equivalent number of weeks for each annual period.

A store is considered a comparable store when it has been open for twelve full months following its grand opening period (typically four to six weeks). Stores relocated or expanded are excluded from comparable store sales if the change in square footage would cause meaningful disparity in sales over the prior period. In the case of a store to be closed, such store s sales are not considered comparable once the store closing process has commenced. buybuy BABY is excluded from the comparable store sales percentage for fiscal 2007, but will be included in the Company s comparable store sales calculation starting in the first quarter of fiscal 2008.

- Gross profit for fiscal 2007 was $2.925 billion or 41.5% of net sales compared with $2.835 billion or 42.8% of net sales for fiscal 2006 and $2.486 billion or 42.8% of net sales for fiscal 2005.

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