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

Name of each exchange on

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.

TABLE OF CONTENTS

Form 10-K Item No.	Name of Item

PART I

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.

9

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

			Fiscal Year Ended (1)		
(in thousands, except per share and selected operating data)	**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.

- Selling, general and administrative expenses for fiscal 2007 were $2.087 billion or 29.6% of net sales compared with $1.946 billion or 29.4% of net sales for fiscal 2006 and $1.607 billion or 27.7% of net sales for fiscal 2005. Fiscal 2006 includes a non-recurring pre-tax charge of $30 million related to the Company s remediation program intended to protect its employees from certain adverse tax consequences arising pursuant to Internal Revenue Code Section 409A.

- The effective tax rate was 35.0%, 36.3% and 37.4% for fiscal years 2007, 2006 and 2005, respectively.

- Net earnings for the fiscal year (fifty-two weeks) ended March 1, 2008 were $2.10 per diluted share ($562.8 million), compared to fiscal 2006 (fifty-three weeks) net earnings of $2.09 per diluted share ($594.2 million), which included a non-recurring charge of approximately $.07 per diluted share, and fiscal 2005 (fifty-two weeks) net earnings of $1.92 per diluted share ($572.8 million). The increase in net earnings per diluted share for fiscal 2007 includes the impact of the Company s repurchases of its common stock.

During fiscal 2007, 2006 and 2005 the Company s capital expenditures were $358.2 million, $317.5 million and $220.4 million. Included in fiscal 2007 s capital expenditures were costs associated with a new distribution center and a new E-service fulfillment center to support the Company s growth.

On March 22, 2007, the Company acquired buybuy BABY, a retailer of infant and toddler merchandise for approximately $67 million (net of cash acquired) and repayment of debt of approximately $19 million. The acquisition did not have a material effect on its consolidated results of operations and financial condition for fiscal 2007.

Also, in December 2007, the Company opened its first international store in Canada and is actively pursuing its expansion opportunities in Canada.

The Company plans to continue to expand its operations and invest in its infrastructure to reach its long-term objectives. The Company currently expects to open approximately 50 to 55 new BBB stores throughout the United States and Canada in fiscal 2008. The Company also expects to open approximately 12 new CTS stores and several buybuy BABY stores as well as continue to open new Harmon stores.

RESULTS OF OPERATIONS

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

	Fiscal Year Ended				
	Percentage of Net Sales			Percentage Change from Prior Year	
	March 1, 2008	March 3, 2007	February 25, 2006	March 1, 2008	March 3, 2007
Net sales	100.0%	100.0%	100.0%	6.5%	13.9%
Cost of sales	58.5	57.2	57.2	9.0	13.8
Gross profit	41.5	42.8	42.8	3.2	14.1
Selling, general and administrative expenses	29.6	29.4	27.7	7.3	21.1
Operating profit	11.9	13.4	15.1	(5.8)	1.2

Earnings before provision for income taxes	12.3	14.1	15.8	(7.3)	1.9
Net earnings	8.0	9.0	9.9	(5.3)	3.7

Net Sales

Net sales in fiscal 2007 (fifty-two weeks) increased $431.5 million to $7.049 billion, representing an increase of 6.5% over the $6.617 billion of net sales in fiscal 2006 (fifty-three weeks), which increased $807.9 million or

13.9% over net sales of $5.810 billion in fiscal 2005 (fifty-two weeks). For fiscal 2007, approximately 82% of the increase in net sales was attributable to an increase in the Company s new store sales, 26% of the increase was attributable to the acquisition of buybuy BABY, 15% of the increase was attributable to the increase in comparable store sales, all partially offset by 23% as a result of the additional week of sales in fiscal 2006. For fiscal 2006, approximately 52% of the increase in net sales was attributable to an increase in the Company s new store sales, and the balance of the increase was primarily attributable to the increase in comparable store sales and the benefit of an additional week in fiscal 2006. The additional week of sales in fiscal 2006 represented approximately 1.6% of net sales.

For fiscal 2007, comparable store sales for 792 stores represented $6.457 billion of net sales; for fiscal 2006, comparable store sales for 683 stores represented $6.069 billion of net sales; and for fiscal 2005, comparable store sales for 605 stores represented $5.282 billion of net sales. For fiscal 2007, the increase in comparable store sales was approximately 1.0%. The increase in comparable store sales reflects the continued consumer acceptance of the Company s merchandise offerings and advertising programs, but was negatively affected by the economic slowdown, in general, and by issues specific to the housing and mortgage industries in particular. In those areas of the Country that have been reported as being the most significantly affected by these issues, notably Arizona, California, Florida and Nevada, sales were noticeably weaker than in less affected areas. For fiscal 2006, the increase in comparable store sales of 4.9% was due to a number of factors, including but not limited to, the continued consumer acceptance of the Company s merchandise offerings and a strong focus on customer service with an emphasis on responding to customer feedback. Comparable store sales percentages are calculated based on an equivalent number of weeks for each annual period. 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.

Sales of domestics merchandise accounted for approximately 44%, 46% and 47% of net sales in fiscal 2007, 2006 and 2005, respectively, of which the Company estimates that bed linens accounted for approximately 14%, 15% and 16% of net sales in fiscal 2007, 2006 and 2005, respectively. The remaining net sales in fiscal 2007, 2006 and 2005 of 56%, 54% and 53%, respectively, represented sales of home furnishings and other items. No other individual product category accounted for 10% or more of net sales during fiscal 2007, 2006 or 2005.

Gross Profit

Gross profit in fiscal 2007, 2006 and 2005 was $2.925 billion or 41.5% of net sales, $2.835 billion or 42.8% of net sales and $2.486 billion or 42.8% of net sales, respectively. The decrease in gross profit between fiscal 2007 and 2006 as a percentage of net sales was primarily due to an increase in coupon redemptions associated with a heightened promotional environment, an increase in inventory acquisition costs and the shift in the mix of merchandise sold, as the Company continues to experience a higher percentage of sales of home furnishings.

Selling, General and Administrative expenses

Selling, general and administrative expenses (SG&A) were $2.087 billion or 29.6% of net sales in fiscal 2007 compared to $1.946 billion or 29.4% of net sales in fiscal 2006. The increase in SG&A as a percentage of net sales is primarily due to a relative increase in advertising expense as a result of increased distributions of advertising pieces in response to the heightened promotional environment and a relative increase in occupancy costs and other expenses, partially offset by a relative decrease in payroll and payroll related items (including a non-recurring pre-tax charge of $30 million in fiscal 2006 related to the Company s remediation program intended to protect its employees from certain adverse tax consequences arising pursuant to Internal Revenue Code Section 409A).

SG&A was $1.946 billion or 29.4% of net sales in fiscal 2006 compared to $1.607 billion or 27.7% of net sales in fiscal 2005. The increase in SG&A as a percentage of net sales was primarily due to the non-recurring charge referred to above, the expensing of stock options for twelve months in fiscal 2006 versus six months in fiscal 2005, additional stock-based compensation charges primarily related to the revised measurement dates, increased legal and accounting charges associated with the stock option review (see Review of Equity Grants and Procedures and

Related Matters in Fiscal 2006) and an increase in advertising, which included higher paper costs and postal rates. Lastly, there were one-time benefits experienced in fiscal 2005, such as settlement of credit card litigation and certain insurance recoveries, which the Company did not have in fiscal 2006.

Operating Profit

Operating profit for fiscal 2007 was $838.0 million or 11.9% of net sales compared to $889.4 million or 13.4% of net sales in fiscal 2006. The decrease in operating profit as a percentage of net sales was a result of the deleverage in the gross margin and SG&A, as discussed above.

Operating profit was $889.4 million or 13.4% of net sales in fiscal 2006 compared to $879.2 million or 15.1% of net sales in fiscal 2005. The decrease in operating profit as a percentage of net sales was the result of the deleverage in SG&A, as discussed above.

Interest Income

Interest income in fiscal 2007, 2006 and 2005 was $27.2 million, $43.5 million and $35.9 million, respectively. Interest income decreased in fiscal 2007 compared to fiscal 2006 primarily as a result of lower cash balances principally due to share repurchase activity in fiscal 2007. Interest income increased in fiscal 2006 compared to fiscal 2005 primarily due to increases in the Company s average investment interest rates as a result of the upward trend in short term interest rates.

Income Taxes

The effective tax rate was 35.0% for fiscal 2007, 36.3% for fiscal 2006 and 37.4% for fiscal 2005. The tax rate for fiscal 2007 included an approximate $21.6 million benefit primarily due to the effective settlement of certain discrete tax items from ongoing examinations, the recognition of favorable discrete state tax items and from changing the blended state tax rate of deferred income taxes. The decrease from fiscal 2005 to fiscal 2006 is primarily due to a reduction in the weighted average effective tax rate resulting from a change in the mix of the business within the taxable jurisdictions in which the Company operates.

The Company expects that Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109 (FIN 48) may, over time, create more volatility in the effective tax rate from year to year because the Company is required each year to determine whether new information changes the assessment of both the probability that a tax position will effectively be sustained and the appropriateness of the amount of recognized benefit.

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 chain has grown from 34 to 971 stores. Total square footage grew from 917,000 square feet at the beginning of fiscal 1992 to 30.2 million square feet at the end of fiscal 2007. The Company opened its first international BBB store in Ontario, Canada in December 2007 and is actively pursuing its expansion opportunities in Canada. In addition, the Company continues to explore other international opportunities.

The Company intends to continue its expansion program and currently expects to open approximately 50 to 55 new BBB stores throughout the United States and Canada in fiscal 2008. The Company also expects to open approximately 12 new CTS stores and several buybuy BABY stores as well as continue to open new Harmon stores (see details under Liquidity and Capital Resources below). The continued growth of the Company is dependent, in large part, upon the Company s ability to execute its expansion program successfully.

LIQUIDITY AND CAPITAL RESOURCES

Fiscal 2007 compared to Fiscal 2006

The Company has been able to finance its operations, including its expansion program, through internally generated funds. Net cash provided by operating activities in fiscal 2007 was $614.5 million, compared with $613.6 million in fiscal 2006. Year over year, the Company experienced an increase in cash provided by net earnings, as adjusted for non-cash expenses (primarily deferred taxes and depreciation), which was offset by a decrease in the net components of working capital (primarily decreases in accounts payable and income taxes offset by an increase in merchandise inventories).

Inventory per square foot was $53.58 and $54.18 as of March 1, 2008 and March 3, 2007, respectively. The Company continues to focus on optimizing inventory productivity while maintaining appropriate in-store merchandise levels to support sales growth.

Net cash provided by investing activities in fiscal 2007 was $101.7 million, compared with net cash used in investing activities of $397.7 million in fiscal 2006. The increase in net cash provided by investing activities was attributable to an increase in the redemptions of investment securities, net of purchases, that was partially offset by the payment of $85.9 million for the acquisition of buybuy BABY and an increase in capital expenditures to $358.2 million in fiscal 2007 from $317.5 million in fiscal 2006.

Net cash used in financing activities in fiscal 2007 was $705.5 million, compared with $250.3 million in fiscal 2006. The increase in net cash used in financing activities was primarily attributable to common stock repurchased of $734.2 million in fiscal 2007 compared to $301.0 million in fiscal 2006 under the Company s stock repurchase program.

Fiscal 2006 compared to Fiscal 2005

Net cash provided by operating activities in fiscal 2006 was $613.6 million, compared with $660.4 million in fiscal 2005. The decrease in net cash provided by operating activities was principally driven by working capital changes due to the increase in merchandise inventories (primarily as a result of new store space) and an increase in other current assets (due to the timing of prepayments), partially offset by an increase in net earnings and an increase in accrued expenses and other current liabilities (primarily due to the timing of payments). Inventory per square foot was $54.18 and $51.04 as of March 3, 2007 and February 25, 2006, respectively.

Net cash used in investing activities in fiscal 2006 was $397.7 million, compared with $67.6 million in fiscal 2005. The increase in net cash used in investing activities was attributable to a decrease in redemptions of investment securities and an increase in capital expenditures partially offset by a decrease in purchases of investment securities.

Net cash used in financing activities in fiscal 2006 was $250.3 million, compared with $567.3 million in fiscal 2005. The decrease in net cash used in financing activities was primarily attributable to common stock repurchased of $301.0 million in fiscal 2006 compared to $598.2 million in fiscal 2005 under the Company s stock repurchase program.

Auction Rate Securities

As of March 1, 2008, the Company had 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 lack of liquidity of these investments. 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. 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. These investments are classified as non-current assets until the Company has better visibility as to when their liquidity will be restored. The classification and valuation of these securities will be reviewed quarterly.

Other Fiscal 2007 Information

At March 1, 2008, the Company maintained two uncommitted lines of credit of $100 million each, with expiration dates of September 3, 2008 and February 27, 2009, respectively. These uncommitted lines of credit are currently and are expected to be used for letters of credit in the ordinary course of business. In addition, under these uncommitted lines of credit, the Company can obtain unsecured standby letters of credit. During fiscal 2007, the Company did not have any direct borrowings under the uncommitted lines of credit. As of March 1, 2008, there was approximately $8.1 million of outstanding letters of credit and approximately $49.8 million of outstanding unsecured standby letters of credit, primarily for certain insurance programs. Although no assurances can be provided, the Company intends to renew both uncommitted lines of credit before the respective expiration dates. The Company believes that during fiscal 2008, internally generated funds will be sufficient to fund its operations, including its expansion program and planned capital expenditures.

The Company s Board of Directors has authorized repurchases of shares of its common stock for $1 billion in September 2007, for $1 billion in December 2006, for $200 million in January 2006, for $400 million in October 2005 and for $350 million in December 2004. The Company was authorized to make repurchases from time to time in the open market or through other parameters approved by the Board of Directors pursuant to existing rules and regulations. The Company has approximately $967 million remaining of authorized share repurchases as of March 1, 2008. The execution of the Company s current share repurchase program will consider current economic and market conditions, including but not limited to, the liquidity of its auction rate security investments.

The Company has contractual obligations consisting mainly of operating leases for stores, offices, warehouse facilities and equipment, purchase obligations and other long-term liabilities which the Company is obligated to pay as of March 1, 2008 as follows:

(in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Operating Lease Obligations (1)	$ 3,195,366	$ 404,197	$ 776,185	$ 642,058	$ 1,372,926
Purchase Obligations (2)	433,630	433,630			
Other long-term liabilities (3)	268,153				
Total Contractual Obligations	$ 3,897,149	$ 837,827	$ 776,185	$ 642,058	$ 1,372,926

(1) The amounts presented represent the future minimum lease payments under non-cancelable operating leases. In addition to minimum rent, certain of the Company s leases require the payment of additional costs for insurance, maintenance and other costs. These additional amounts are not included in the table of contractual commitments as the timing and/or amounts of such payments are not known. As of March 1, 2008, the Company has leased sites for 56 new stores planned for opening in fiscal 2008 or 2009, for which aggregate minimum rental payments over the term of the leases are approximately $261.7 million and are included in the table above.

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

(3) The Company s deferred rent and other liabilities as well as income taxes payable in the Consolidated Balance Sheet as of March 1, 2008 are primarily comprised of deferred rent, income taxes, workers compensation and general liability reserves and other various accruals. As the timing and/or amounts of any cash payment is uncertain, the related amounts have been reflected only in the Total column in the table above.

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.

INFLATION

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

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2006, the FASB issued FIN 48. FIN 48 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, a company may recognize the tax benefit from uncertain tax positions only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the taxing authorities. FIN 48 also provided guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

On March 4, 2007, the Company adopted FIN 48 and recognized a $13.1 million increase to Retained earnings to reflect the change to its liability for unrecognized tax benefits as required. The Company also recorded additional unrecognized tax benefits, and corresponding higher deferred tax assets, of $35.6 million as a result of the adoption.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The FASB has issued a one-year deferral of SFAS No. 157 s fair value measurement requirements for non-financial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis. Although SFAS No. 157 will require additional disclosures about fair value measurements, the Company does not expect the adoption of SFAS No. 157 to have a material impact on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115. SFAS No. 159 permits companies to choose to measure certain financial assets and liabilities at fair value (the fair value option). If the fair value option is elected, any upfront costs and fees related to the item must be recognized in earnings and cannot be deferred, e.g. debt issue costs. The fair value election is irrevocable and may generally be made on an instrument-by-instrument basis, even if a company has similar instruments that it elects not to fair value. At the adoption date, unrealized gains and losses on existing items for which fair value has been elected are reported as a cumulative adjustment to beginning retained earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company does not believe the adoption of SFAS No. 159 will have a material impact on its consolidated financial statements.

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

REVIEW OF EQUITY GRANTS AND PROCEDURES AND RELATED MATTERS IN FISCAL 2006

As a result of revised measurement dates for certain stock option grants, and the correction of various other errors, the Company determined that it had certain unrecorded non-cash equity-based compensation charges of $61.8 million, including related tax items related to fiscal years prior to 2006. In accordance with the provisions of Staff Accounting Bulletin (SAB) No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, the Company decreased beginning Retained earnings for fiscal 2006 by $61.8 million within the accompanying Consolidated Financial Statements.

The Company s Board of Directors also approved a remediation program intended to protect over 1,600 employees from certain potential adverse tax consequences. These adverse tax consequences arise pursuant to Internal Revenue Code Section 409A as a result of historical deficiencies associated with certain of the Company s stock option grants that were disclosed through the Company s stock option review. As a result of this program, the Company made cash payments totaling approximately $30.0 million to over 1,600 employees in the fourth quarter of fiscal 2006, which resulted in a non-recurring, pre-tax stock-based compensation charge. The cash outlay primarily represented payments to employees in connection with increasing the exercise prices on certain stock option grants so as to protect them from certain potential adverse tax consequences. No executive officer received such payments. The Company believes it is likely the Company will recoup a substantial portion of the anticipated cash outlay over the next several years through higher proceeds from future stock option exercises, although this recovery would not flow through the income statement.

The Company also filed a Form 8-K dated December 28, 2006 which provides further details regarding the remediation program.

The Company continues to cooperate with the inquiry of the SEC regarding the Company s stock option grant practices.

The United States Attorney s Office for the District of New Jersey concluded its inquiry with respect to matters arising out of and related to the Company s historical stock option grants and procedures and related matters and has indicated it will take no further action related to this matter.

CRITICAL ACCOUNTING POLICIES

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

Inventory Valuation: Merchandise inventories are stated at the lower of cost or market. Inventory costs for BBB and Harmon are calculated using the weighted average retail inventory method and inventory costs for CTS and buybuy BABY are calculated using the first in first out cost method.

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

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

The Company estimates its reserve for shrinkage throughout the year, based on historical shrinkage and any current trends, if applicable. Actual shrinkage is recorded at year end based upon the results of the Company s physical inventory count. Historically, the Company s shrinkage has not been volatile.

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

Impairment of Long-Lived Assets: The Company reviews long-lived assets for impairment annually or when events or changes in circumstances indicate the carrying value of these assets may exceed their current fair values. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the assets. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

Goodwill and Other Indefinitely Lived Intangible Assets: The Company reviews goodwill and other intangibles that have indefinite lives for impairment annually or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. Impairment testing is based upon the best information available including estimates of fair value which incorporate assumptions marketplace participants would use in making their estimates of fair value. The Company has not historically recorded an impairment to its goodwill and other indefinitely lived intangible assets. In the future, if events or market conditions affect the estimated fair value to the extent that an asset is impaired, the Company will adjust the carrying value of these assets in the period in which the impairment occurs.

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

Litigation: The Company records an estimated liability related to various claims and legal actions arising in the ordinary course of business which is based on available information and advice from outside counsel, where appropriate. As additional information becomes available, the Company reassesses the potential liability related to its pending litigation and revises its estimates, as appropriate. The ultimate resolution of these ongoing matters as a result of future developments could have a material impact on the Company s earnings. The Company cannot predict the nature and validity of claims which could be asserted in the future, and future claims could have a material impact on its earnings.

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

Stock-Based Compensation: Under SFAS No. 123 (revised 2004), Share-Based Payment (SFAS No. 123R), the Company uses a Black-Scholes option-pricing model to determine the fair value of its stock options. The Black-Scholes model includes various assumptions, including the expected life of stock options, the expected risk free interest rate and the expected volatility. These assumptions reflect the Company s best estimates, but they involve inherent uncertainties based on market conditions generally outside the control of the Company. As a result, if other assumptions had been used, total stock-based compensation cost, as determined in accordance with SFAS No. 123R, could have been materially impacted. Furthermore, if the Company uses different assumptions for future grants, stock-based compensation cost could be materially impacted in future periods.

The Company determines its assumptions for the Black-Scholes option-pricing model in accordance with SFAS No. 123R and/or SAB No. 107, Share-Based Payment .

- The expected life of stock options is estimated based on historical experience.

- The expected risk free interest rate is based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected life of the stock options.

- The expected volatility is based solely on the implied volatility of the Company s call options. The Company s call options used to determine implied volatility are actively traded on multiple exchanges, had remaining maturities in excess of twelve months, had market prices close to the exercise prices of the employee stock options and were measured on the stock option grant date. The Company believes the resulting implied volatility used to determine the fair value of its stock options represents what marketplace participants would likely use in determining an exchange price for an option.

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

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

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

During the first quarter of 2007, the Company adopted FIN 48. Under FIN 48, the Company recognizes the tax benefit from an uncertain tax position only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the taxing authorities.

The Company expects that FIN 48 may, over time, create more volatility in the effective tax rate from quarter to quarter because the Company is required each quarter to determine whether new information changes the assessment of both the probability that a tax position will effectively be sustained and the appropriateness of the amount of recognized benefit.

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

FORWARD-LOOKING STATEMENTS

This Form 10-K and Management s Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company s actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors that may be outside the Company s control. Such factors include, without limitation: general economic conditions including the housing market and fuel costs; changes in the retailing environment and consumer preferences and spending habits; demographics and other macroeconomic factors that may impact the level of spending for the types of merchandise sold by the Company; unusual weather patterns; competition from existing and potential competitors; competition from other channels of distribution; pricing pressures; the cost of labor, merchandise and other costs and expenses; the ability to find suitable locations at acceptable occupancy costs to support the Company s expansion program; the impact of failed auctions for auction rate securities held by the Company; and matters arising out of or related to the Company s stock option grants and procedures and related matters, including the outcome of the informal inquiry commenced by the SEC, the possibility that the SEC may not agree with all of the special committee s findings and recommendations and may require additional or different remediation, any other proceedings which may be brought against the Company by the SEC or other governmental agencies, any tax implications relating to the Company s stock option grants, the outcome of a shareholder derivative action filed against certain of the Company s officers and directors and related matters, and the possibility of other private litigation relating to such stock option grants and related matters.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of March 1, 2008, the Company s investments include cash and cash equivalents of $224.1 million and long term investment securities of $326.0 million at weighted average interest rates of 2.2% and 4.4%, respectively. The Company had no short term investment securities as of March 1, 2008.

Included in its long term investment securities, the Company has 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. 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. 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.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following are included herein:

1) Consolidated Balance Sheets as of March 1, 2008 and March 3, 2007
2) Consolidated Statements of Earnings for the fiscal years ended March 1, 2008, March 3, 2007 and February 25, 2006
3) Consolidated Statements of Shareholders Equity for the fiscal years ended March 1, 2008, March 3, 2007 and February 25, 2006
4) Consolidated Statements of Cash Flows for the fiscal years ended March 1, 2008, March 3, 2007 and February 25, 2006
5) Notes to Consolidated Financial Statements
6) Reports of Independent Registered Public Accounting Firm

BED BATH & BEYOND INC. AND SUBSIDIARIES

Consolidated Balance sheets

(in thousands, except per share data)

	March 1, 2008	March 3, 2007
Assets		
Current assets:		
Cash and cash equivalents	**$ 224,084**	$ 213,381
Short term investment securities		774,881
Merchandise inventories	**1,616,981**	1,505,800
Other current assets	**238,646**	204,552
Total current assets	**2,079,711**	2,698,614
Long term investment securities	**326,004**	102,692
Property and equipment, net	**1,121,906**	929,507
Other assets	**316,472**	228,491
Total assets	**$ 3,844,093**	$ 3,959,304
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	**$ 570,605**	$ 615,156
Accrued expenses and other current liabilities	**258,989**	245,267
Merchandise credit and gift card liabilities	**171,252**	143,737
Current income taxes payable	**13,266**	140,913
Total current liabilities	**1,014,112**	1,145,073
Deferred rent and other liabilities	**192,778**	165,080
Income taxes payable	**75,375**	
Total liabilities	**1,282,265**	1,310,153
Commitments and contingencies		
Shareholders equity:		
Preferred stock - $0.01 par value; authorized - 1,000 shares; no shares issued or outstanding		
Common stock - $0.01 par value; authorized - 900,000 shares; issued 312,229 and 309,750 shares, respectively; outstanding 258,920 and 277,074 shares, respectively	**3,122**	3,098
Additional paid-in capital	**813,568**	737,209
Retained earnings	**3,729,766**	3,153,856
Treasury stock, at cost	**(1,983,590)**	(1,249,397)
Accumulated other comprehensive (loss) income	**(1,038)**	4,385
Total shareholders equity	**2,561,828**	2,649,151
Total liabilities and shareholders equity	**$ 3,844,093**	$ 3,959,304

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Earnings

Bed Bath & Beyond Inc. and Subsidiaries

(in thousands, except per share data)	FISCAL YEAR ENDED **March 1, 2008**	March 3, 2007	February 25, 2006
Net sales	**$ 7,048,942**	$ 6,617,429	$ 5,809,562
Cost of sales	**4,123,711**	3,782,027	3,323,814
Gross profit	**2,925,231**	2,835,402	2,485,748
Selling, general and administrative expenses	**2,087,209**	1,946,001	1,606,577
Operating profit	**838,022**	889,401	