

WSI
WILLIAMS-SONOMA, INC.

2016
ANNUAL
REPORT

ANNUAL MEETING OF STOCKHOLDERS

LETTER TO STOCKHOLDERS

2016 ANNUAL REPORT

WILLIAMS-SONOMA, INC.

POTTERY BARN POTTERY BARN KIDS PBTEEN WILLIAMS SONOMA WILLIAMS SONOMA HOME WEST ELM MARK AND GRAHAM REJUVENATION

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Dear Stockholders,

In fiscal 2016, our company delivered revenues of over \$5 billion, with diluted earnings per share of \$3.41. Our highly-profitable e-commerce business continued to be the highest area of growth for us, generating almost 52% of total net revenues. Our outstanding portfolio of brands – Pottery Barn, Pottery Barn Kids, PBteen, Williams Sonoma, West Elm, Rejuvenation, and Mark and Graham – together with the successful execution of our strategic initiatives, enabled us to achieve these results.

Our strategic initiatives for 2016 included: reasserting our product leadership with innovative products at the best value; revolutionizing our approach to inventory through supply chain and inventory improvements; transforming our marketing to increase new customer acquisition; and enhancing the retail experience. In addition to these initiatives, we also continued to expand our global reach. Our company-owned global operations delivered double-digit revenue growth, and we ended the year with 75 franchise and wholesale points of sale. We also signed an agreement with a new franchise partner to operate stores and e-commerce sites in the dynamic retail market of South Korea.

Looking forward, in 2017 our company will continue to improve performance with a focus on innovation and operational excellence. We will continue to innovate and invest in e-commerce, our product and service offerings, and our retail experience. We will also drive strategies that directly improve our customers' experience, including supply chain optimization and a focus on key points of contact with our customers.

We would like to thank our Board of Directors for their continued support and guidance. We would also like to thank our directors Adrian Dillon, Ted Hall and Lorraine Twohill, who are not standing for reelection upon expiration of their current terms, for their dedicated service to the company and their many contributions to our Board discussions. Adrian brought extensive financial and accounting expertise, and has served for many years as the Chair of our Audit and Finance Committee. Ted contributed his insight into the specialty food industry, as well as his operating and consulting experience, and has served on both the Compensation and Audit and Finance Committees. Lorraine shared her considerable marketing, brand management and global experience, and has served as Chair of our Nominations and Corporate Governance Committee.

We also thank our customers, vendors and other business partners for their support. We particularly wish to express our deep appreciation to our company's executive team and all of our associates for continuing to deliver results and drive our long-term strategic growth initiatives.

Most importantly, we are grateful to our stockholders for your ongoing confidence in our company. We look forward to continued success in 2017 and beyond.

Adrian D.P. Bellamy
Chairman of the Board of Directors



Laura J. Alber
President, Chief Executive Officer and Director



This letter contains forward-looking statements. Please see the section titled "Forward-Looking Statements" on page 1 of our Annual Report on Form 10-K for the fiscal year ended January 29, 2017, which is part of this Annual Report to Stockholders, for important cautionary language regarding these statements.

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FORM 10-K

2016 ANNUAL REPORT

WILLIAMS-SONOMA, INC.

POTTERY BARN POTTERY BARN KIDS PBTEEN WILLIAMS SONOMA WILLIAMS SONOMA HOME WEST ELM MARK AND GRAHAM REJUVENATION

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

FORM 10-K

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended January 29, 2017.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from

to

Commission file number 001-14077

WILLIAMS-SONOMA, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

3250 Van Ness Avenue, San Francisco, CA

(Address of principal executive offices)

94-2203880

(I.R.S. Employer
Identification No.)

94109

(Zip Code)

Registrant's telephone number, including area code: (415) 421-7900

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

Common Stock, \$.01 par value

(Title of class)

New York Stock Exchange, Inc.

(Name of each exchange on which registered)

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

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

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of July 31, 2016, the approximate aggregate market value of the registrant's common stock held by non-affiliates was \$4,757,778,000. It is assumed for purposes of this computation that an affiliate includes all persons as of July 31, 2016 listed as executive officers and directors with the Securities and Exchange Commission. This aggregate market value includes all shares held in the Williams-Sonoma, Inc. Stock Fund within the registrant's 401(k) Plan.

As of March 26, 2017, 86,840,278 shares of the registrant's common stock were outstanding.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive Proxy Statement for the 2017 Annual Meeting of Stockholders, also referred to in this Annual Report on Form 10-K as our Proxy Statement, which will be filed with the Securities and Exchange Commission, or SEC, have been incorporated in Part III hereof.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and the letters to stockholders contained in this Annual Report contain forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions that, if they do not fully materialize or prove incorrect, could cause our business and operating results to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include, without limitation, statements related to: projections of earnings, revenues, growth and other financial items; the strength of our business and our brands; our strategic initiatives regarding innovation and operational excellence and related investments; our beliefs about our advantages and leadership position across our brands; our ability to drive long-term profitable growth; the plans, strategies, initiatives and objectives of management for future operations; our brands, products and related initiatives, including our ability to introduce new brands, new products and product lines and bring in new customers; our belief that our e-commerce websites and direct mail catalogs act as a cost-efficient means of testing market acceptance of new products and new brands; the complementary nature of our e-commerce and retail channels; our marketing efforts; our global business and expansion efforts, including franchise, other third-party arrangements and company-owned operations; our ability to attract new customers; the seasonal variations in demand; our ability to recruit, retain and motivate skilled personnel; our belief in the reasonableness of the steps taken to protect the security and confidentiality of the information we collect; our belief in the adequacy of our facilities and the availability of suitable additional or substitute space; our belief in the ultimate resolution of current legal proceedings; the payment of dividends; our stock repurchase program; our capital allocation strategy in fiscal 2017; our planned use of cash in fiscal 2017; our compliance with financial covenants; our belief that our cash on hand and available credit facilities will provide adequate liquidity for our business operations over the next 12 months; our belief that our accumulated undistributed earnings of our foreign subsidiaries are sufficient to support our anticipated future cash needs of our foreign operations; our intentions regarding the utilization of such undistributed earnings; our belief regarding the effects of potential losses under our indemnification obligations; the impact of inflation; the effects of changes in our inventory reserves; the impact of new accounting pronouncements; and statements of belief and statements of assumptions underlying any of the foregoing. You can identify these and other forward-looking statements by the use of words such as “will,” “may,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “intends,” “potential,” “continue,” or the negative of such terms, or other comparable terminology.

The risks, uncertainties and assumptions referred to above that could cause our results to differ materially from the results expressed or implied by such forward-looking statements include, but are not limited to, those discussed under the heading “Risk Factors” in Item 1A hereto and the risks, uncertainties and assumptions discussed from time to time in our other public filings and public announcements. All forward-looking statements included in this document are based on information available to us as of the date hereof, and we assume no obligation to update these forward-looking statements.

WILLIAMS-SONOMA, INC.
ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED JANUARY 29, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
PART I	
Item 1. Business	3
Item 1A. Risk Factors	6
Item 1B. Unresolved Staff Comments	20
Item 2. Properties	20
Item 3. Legal Proceedings	21
Item 4. Mine Safety Disclosures	21
PART II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	22
Item 6. Selected Financial Data	25
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	26
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	36
Item 8. Financial Statements and Supplementary Data	37
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	60
Item 9A. Controls and Procedures	60
Item 9B. Other Information	61
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	62
Item 11. Executive Compensation	62
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	62
Item 13. Certain Relationships and Related Transactions, and Director Independence	62
Item 14. Principal Accountant Fees and Services	62
PART IV	
Item 15. Exhibits and Financial Statement Schedules	63

PART I

ITEM 1. BUSINESS

OVERVIEW

Williams-Sonoma, Inc., incorporated in 1973, is a multi-channel specialty retailer of high quality products for the home.

In 1956, our founder, Chuck Williams, turned a passion for cooking and eating with friends into a small business with a big idea. He opened a store in Sonoma, California, to sell the French cookware that intrigued him while visiting Europe but that could not be found in America. Chuck's business, which set a standard for customer service, took off and helped fuel a revolution in American cooking and entertaining that continues today.

In the decades that followed, the quality of our products, our ability to identify new opportunities in the market and our people-first approach to business have facilitated our expansion beyond the kitchen into nearly every area of the home. Growth across the Williams-Sonoma, Inc. portfolio has been fueled by three areas of strategic investment: brand experimentation and innovation, for a best-in-class approach to multi-channel retail experiences; operational excellence across the enterprise, from quality product and sourcing, to efficient manufacturing and supply chain; and culture and corporate social responsibility, from commitments to foster women in leadership and embrace diversity, to a healthy impact on our community and environment.

Today, Williams-Sonoma, Inc. is one of the United States' largest e-commerce retailers with some of the best known and most beloved brands in home furnishings. We currently operate retail stores in the U.S., Puerto Rico, Canada, Australia and the United Kingdom, and franchise our brands to third parties in the Middle East, the Philippines and Mexico. In addition, during fiscal 2016, we entered into a franchise agreement with an unaffiliated franchisee to operate stores and e-commerce websites in South Korea, beginning in 2017. Our products are also available to customers through our catalogs and online worldwide.

Williams Sonoma

From the beginning, our namesake brand, Williams Sonoma, has been bringing people together around food. A leading specialty retailer of high-quality products for the kitchen and home, the brand seeks to provide world-class service and an engaging customer experience. Williams Sonoma products include everything for cooking, dining and entertaining, including: cookware, tools, electrics, cutlery, tabletop and bar, outdoor, furniture and a vast library of cookbooks. The brand also includes Williams Sonoma Home, a premium concept that offers classic home furnishings and decorative accessories, extending the Williams Sonoma lifestyle beyond the kitchen into every room of the home.

Pottery Barn

Established in 1949 and acquired by Williams-Sonoma, Inc. in 1986, Pottery Barn is a premier multi-channel home furnishings retailer. The brand was founded on the idea that home furnishings should be exceptional in comfort, quality, style and value. Pottery Barn stores, website, and catalogs are specially designed to make shopping an enjoyable experience, with inspirational lifestyle displays dedicated to every space in the home. Pottery Barn products include furniture, bedding, bathroom accessories, rugs, curtains, lighting, tabletop, outdoor and decorative accessories.

Pottery Barn Kids

Launched in 1999, Pottery Barn Kids serves as an inspirational destination for creating childhood memories by decorating nurseries, bedrooms and play spaces. Pottery Barn Kids offers exclusive, innovative and high-quality products designed specifically for creating magical spaces where children can play, laugh, learn and grow.

West Elm

West Elm helps customers express their personal style at home. Headquartered in Brooklyn, New York, West Elm opened its first store in 2003 in Dumbo, the neighborhood it still proudly calls home. Mixing clean lines, natural materials and handcrafted collections from the U.S. and around the world, West Elm creates unique, affordable designs for modern living. From its commitment to Fair Trade Certified, local and handcrafted products, to its community-driven in-store events and collaborations, and to its role as part of an active

community on social media, everything West Elm does is designed to make an impact. West Elm also operates West Elm Workspace, which provides furnishings to the commercial sector, and recently announced its expansion into the travel and hospitality industry with the launch of West Elm Hotels.

PBteen

Launched in 2003, PBteen is the first home concept to focus exclusively on the teen market. The brand offers a complete line of furniture, bedding, lighting, decorative accents and more for teen bedrooms, dorm rooms, study spaces and lounges. PBteen's innovative products are specifically designed to help teens create a comfortable and stylish room that reflects their own individual aesthetic.

Rejuvenation

Rejuvenation, founded in 1977 with a passion for old buildings, vintage lighting and house parts and great design, was acquired by Williams-Sonoma, Inc. in 2011. With manufacturing facilities in Portland, Oregon, Rejuvenation offers a wide assortment of high-quality lighting, hardware, furniture and home décor inspired by history, designed for today and made to last for years to come.

Mark and Graham

Launched in 2012, Mark and Graham is designed to be a premier destination for personalized gift buying. With over 100 monograms and font types to choose from, a Mark and Graham purchase is uniquely personal. The brand's product lines include women's and men's accessories, small leather goods, jewelry, key item apparel, paper, entertaining and bar, home décor and seasonal items.

E-COMMERCE OPERATIONS

As of January 29, 2017, the e-commerce channel had the following merchandise strategies: Williams Sonoma, Pottery Barn, Pottery Barn Kids, West Elm, PBteen, Williams Sonoma Home, Rejuvenation and Mark and Graham, which sell our products through our e-commerce websites and direct-mail catalogs. We offer shipping from many of our brands to countries worldwide, while our catalogs reach customers throughout the U.S. and Australia. The e-commerce channel complements the retail channel by building brand awareness and acting as an effective advertising vehicle. In addition, we believe that our e-commerce websites and our direct mail catalogs act as a cost-efficient means of testing market acceptance of new products and new brands. Leveraging these insights and our multi-channel positioning, our marketing efforts, including the use of online advertising and the circulation of catalogs, are targeted toward driving sales to each of our channels. Consistent with our published privacy policies, we send our catalogs to addresses from our proprietary customer list, as well as to addresses from lists of other mail order direct marketers, magazines and companies with which we establish a business relationship. In accordance with prevailing industry practice and our privacy policies, we may also rent our list to select mailers. Our customer mailings are continually updated to include new prospects and to eliminate non-responders.

Detailed financial information about the e-commerce channel is found in Note K to our Consolidated Financial Statements.

RETAIL STORES

As of January 29, 2017, the retail channel had the following merchandise strategies: Williams Sonoma, Pottery Barn, Pottery Barn Kids, West Elm and Rejuvenation, operating 629 stores comprising 583 stores in 43 states, Washington, D.C. and Puerto Rico, 26 stores in Canada, 19 stores in Australia and 1 store in the United Kingdom. We also have multi-year franchise agreements with third parties that currently operate 66 franchised stores and/or e-commerce websites in the Middle East, the Philippines and Mexico. In addition, during fiscal 2016, we entered into a franchise agreement with an unaffiliated franchisee to operate stores and e-commerce websites in South Korea, beginning in 2017. The retail channel complements the e-commerce channel by building brand awareness and attracting new customers to our brands. Our retail stores serve as billboards for our brands, which we believe inspires our customers to also shop online and through our catalogs.

Detailed financial information about the retail channel is found in Note K to our Consolidated Financial Statements.

SUPPLIERS

We purchase most of our merchandise from numerous foreign and domestic manufacturers and importers, the largest of which accounted for approximately 2% of our purchases during fiscal 2016. Approximately 64% of our merchandise purchases in fiscal 2016 were sourced from foreign vendors in 43 countries, predominantly in Asia and Europe. Approximately 99% of these purchases were negotiated and paid for in U.S. dollars. In addition, we manufacture merchandise, primarily upholstered furniture and lighting, at our facilities located in North Carolina, California and Oregon.

COMPETITION AND SEASONALITY

The specialty retail business is highly competitive. Our specialty retail stores, e-commerce websites and direct-mail catalogs compete with other retailers, including large department stores, discount retailers, other specialty retailers offering home-centered assortments, other e-commerce websites and other direct mail catalogs. The substantial sales growth in the direct-to-customer industry within the last decade, particularly in e-commerce, has encouraged the entry of many new competitors and an increase in competition from established companies. In addition, we face increased competition from discount retailers who, in the past, may not have competed with us or to this degree. We compete on the basis of our brand authority, the quality of our merchandise, service to our customers, our proprietary customer list, our e-commerce websites and our marketing capabilities, as well as the location and appearance of our stores. We believe that we compare favorably with many of our current competitors with respect to some or all of these factors.

Our business is subject to substantial seasonal variations in demand. Historically, a significant portion of our net revenues and net earnings have been realized during the period from October through January, and levels of net revenues and net earnings have typically been lower during the period from February through September. We believe this is the general pattern associated with the retail industry. In preparation for and during our holiday selling season, we hire a substantial number of additional temporary employees, primarily in our retail stores, customer care centers and distribution facilities, and incur significant fixed catalog production and mailing costs.

EMPLOYEES

As of January 29, 2017, we had approximately 28,300 employees, of whom approximately 10,500 were full-time. In preparation for and during our fiscal 2016 holiday selling season, we hired approximately 9,100 temporary employees primarily in our retail stores, distribution facilities and customer care centers.

TRADEMARKS, COPYRIGHTS, PATENTS AND DOMAIN NAMES

We own and/or have applied to register 118 separate trademarks and service marks. We own and/or have applied to register our key brand names as trademarks in the U.S. and 93 additional jurisdictions. Generally, exclusive rights to the trademarks and service marks are held by Williams-Sonoma, Inc. and are used by our subsidiaries and franchisees under a license. These marks include our core brand names as well as brand names for selected products and services. The core brand names in particular, including “Williams Sonoma,” “Pottery Barn,” “pottery barn kids,” “PBteen,” “west elm,” “Williams Sonoma Home,” “Rejuvenation” and “Mark and Graham” are of material importance to us. Trademarks are generally valid as long as they are in use and/or their registrations are properly maintained, and they have not been found to have become generic. Trademark registrations can generally be renewed indefinitely so long as the marks are in use. We also own numerous copyrights and trade dress rights for our products, product packaging, catalogs, books, house publications, website designs and store designs, among other things, which are used by our subsidiaries and franchisees under a license. We hold patents on certain product functions and product designs. Patents are generally valid for 14 to 20 years as long as their registrations are properly maintained. In addition, we have registered and maintain numerous Internet domain names, including “williams-sonoma.com,” “potterybarn.com,” “potterybarnkids.com,”

“pbteen.com,” “westelm.com,” “wshome.com,” “williams-sonomainc.com,” “rejuvenation.com” and “markandgraham.com.” Collectively, the trademarks, copyrights, trade dress rights and domain names that we hold are of material importance to us.

AVAILABLE INFORMATION

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and information statements and amendments to reports filed or furnished pursuant to Sections 13(a), 14 and 15(d) of the Securities Exchange Act of 1934, as amended. The public may read and copy these materials at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549-0213. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding Williams-Sonoma, Inc. and other companies that file materials electronically with the SEC. Our annual reports, Forms 10-K, Forms 10-Q, Forms 8-K and proxy and information statements are also available, free of charge, on our website at www.williams-sonomainc.com.

ITEM 1A. RISK FACTORS

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider such risks and uncertainties, together with the other information contained in this report and in our other public filings. If any of such risks and uncertainties actually occurs, our business, financial condition or operating results could differ materially from the plans, projections and other forward-looking statements included in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this report and in our other public filings. In addition, if any of the following risks and uncertainties, or if any other risks and uncertainties, actually occurs, our business, financial condition or operating results could be harmed substantially, which could cause the market price of our stock to decline, perhaps significantly.

Declines in general economic conditions, and the resulting impact on consumer confidence and consumer spending, could adversely impact our results of operations.

Our financial performance is subject to declines in general economic conditions and the impact of such economic conditions on levels of consumer confidence and consumer spending. Consumer confidence and consumer spending may deteriorate significantly, and could remain depressed for an extended period of time. Consumer purchases of discretionary items, including our merchandise, generally decline during periods when disposable income is limited, unemployment rates increase or there is economic uncertainty. An uncertain economic environment could also cause our vendors to go out of business or our banks to discontinue lending to us or our vendors, or it could cause us to undergo restructurings, any of which would adversely impact our business and operating results.

We are unable to control many of the factors affecting consumer spending, and declines in consumer spending on home furnishings and kitchen products in general could reduce demand for our products.

Our business depends on consumer demand for our products and, consequently, is sensitive to a number of factors that influence consumer spending, including general economic conditions, consumer disposable income, fuel prices, recession and fears of recession, unemployment, war and fears of war, inclement weather, availability of consumer credit, consumer debt levels, conditions in the housing market, interest rates, sales tax rates and rate increases, inflation, consumer confidence in future economic conditions and political conditions, and consumer perceptions of personal well-being and security. In particular, past economic downturns have led to decreased discretionary spending, which adversely impacted our business. In addition, periods of decreased home purchases typically lead to decreased consumer spending on home products. These factors have affected, and may in the future affect, our various brands and channels differently. Adverse changes in factors affecting discretionary consumer spending have reduced and may in the future reduce consumer demand for our products, thus reducing our sales and harming our business and operating results.

If we are unable to identify and analyze factors affecting our business, anticipate changing consumer preferences and buying trends, and manage our inventory commensurate with customer demand, our sales levels and operating results may decline.

Our success depends, in large part, upon our ability to identify and analyze factors affecting our business and to anticipate and respond in a timely manner to changing merchandise trends and customer demands in order to maintain and attract customers. For example, in the specialty home products business, style and color trends are constantly evolving. Consumer preferences cannot be predicted with certainty and may change between selling seasons. Changes in customer preferences and buying trends may also affect our brands differently. We must be able to stay current with preferences and trends in our brands and address the customer tastes for each of our target customer demographics. We must also be able to identify and adjust the customer offerings in our brands to cater to customer demands. For example, a change in customer preferences for children's room furnishings may not correlate to a similar change in buying trends for other home furnishings. If we misjudge either the market for our merchandise or our customers' purchasing habits, our sales may decline significantly or may be delayed while we work to fill backorders. We may be required to mark down certain products to sell any excess inventory or to sell such inventory through our outlet stores or other liquidation channels at prices which are significantly lower than our retail prices, any of which would negatively impact our business and operating results.

In addition, we must manage our inventory effectively and commensurate with customer demand. Much of our inventory is sourced from vendors located outside of the U.S. Thus, we usually must order merchandise, and enter into contracts for the purchase and manufacture of such merchandise, up to twelve months and generally multiple seasons in advance of the applicable selling season and frequently before trends are known. The extended lead times for many of our purchases may make it difficult for us to respond rapidly to new or changing trends. Our vendors also may not have the capacity to handle our demands or may go out of business in times of economic crisis. In addition, the seasonal nature of the specialty home products business requires us to carry a significant amount of inventory prior to peak selling season. As a result, we are vulnerable to demand and pricing shifts and to misjudgments in the selection and timing of merchandise purchases. If we do not accurately predict our customers' preferences and acceptance levels of our products, our inventory levels will not be appropriate, and our business and operating results may be negatively impacted.

We may be exposed to cybersecurity risks and costs associated with credit card fraud and identity theft that could cause us to incur unexpected expenses and loss of revenue.

A significant portion of our customer orders are placed through our e-commerce websites or through our customer care centers. In addition, a significant portion of sales made through our retail channel require the collection of certain customer data, such as credit card information. In order for our sales channels to function successfully, we, our banking and authorizations partners, and other parties involved in processing customer transactions must be able to transmit confidential information, including credit card information and other personal information of our customers, securely over public and private networks. Third parties may have or develop the technology or knowledge to breach, disable, disrupt or interfere with our systems or processes or those of our vendors. Although we take the security of our systems and the privacy of our customers' confidential information seriously, and we believe we take reasonable steps to protect the security and confidentiality of the information we collect, we cannot guarantee that our security measures will effectively prevent others from obtaining unauthorized access to our information and our customers' information. The techniques used to obtain unauthorized access to systems change frequently and are not often recognized until after they have been launched. Any person who circumvents our security measures could destroy or steal valuable information or disrupt our operations. Any security breach could cause consumers to lose confidence in the security of our information systems, including our e-commerce websites or stores, and choose not to purchase from us. Any security breach could also expose us to risks of data loss, litigation, regulatory investigations and other significant liabilities. Such a breach could also seriously disrupt, slow or hinder our operations and harm our reputation and customer relationships, any of which could harm our business.

In addition, states and the federal government are increasingly enacting laws and regulations to protect consumers against identity theft. As our business expands globally, we are subject to data privacy and other

similar laws in various foreign jurisdictions, such as the European Union. If we are the target of a cybersecurity attack resulting in unauthorized disclosure of our customer data, we may be required to undertake costly notification procedures. In addition, compliance with these laws will likely increase the costs of doing business. If we fail to implement appropriate safeguards, detect and provide prompt notice of unauthorized access as required by some of these laws, or otherwise comply with these laws, we could be subject to potential fines, claims for damages and other remedies, which could be significantly in excess of our insurance coverage and could harm our business.

If we are unable to effectively manage our e-commerce business and digital marketing efforts, our reputation and operating results may be harmed.

Our e-commerce channel has been our fastest growing business over the last several years and represents more than half of our sales and profits. The success of our e-commerce business depends, in part, on third parties and factors over which we have limited control. We must continually respond to changing consumer preferences and buying trends relating to e-commerce usage, including an emphasis on mobile e-commerce. Our success in e-commerce has been strengthened in part by our ability to leverage the information we have on our customers to infer customer interests and affinities such that we can personalize the experience they have with us. We also utilize interest-based advertising to target internet and mobile users whose behavior indicates they might be interested in our products. Current or future legislation may reduce or restrict our ability to use these techniques, which could reduce the effectiveness of our marketing efforts.

We are also vulnerable to certain additional risks and uncertainties associated with our e-commerce and mobile websites and digital marketing efforts, including: changes in required technology interfaces; website downtime and other technical failures; internet connectivity issues; costs and technical issues as we upgrade our website software; computer viruses; vendor reliability; changes in applicable federal and state regulations; security breaches; and consumer privacy concerns. We must keep up to date with competitive technology trends and opportunities that are emerging throughout the retail environment, including the use of new or improved technology, evolving creative user interfaces, and other e-commerce marketing trends such as paid search, re-targeting, and the proliferation of mobile usage, among others. While we make our best efforts to predict and invest in technology that is most relevant and beneficial to our company, our initiatives may not prove to be successful, may increase our costs, or may not succeed in driving sales or attracting customers. Our failure to successfully respond to these risks and uncertainties might adversely affect the sales or margin in our e-commerce business, as well as damage our reputation and brands.

Our dependence on foreign vendors and our increased global operations subject us to a variety of risks and uncertainties that could impact our operations and financial results.

Approximately 64% of our merchandise purchases in fiscal 2016 were sourced from foreign vendors in 43 countries, predominantly in Asia and Europe. Our dependence on foreign vendors means that we may be affected by changes in the value of the U.S. dollar relative to other foreign currencies. For example, any upward valuation in the Chinese yuan, the euro, or any other foreign currency against the U.S. dollar may result in higher costs to us for those goods. Although approximately 99% of our foreign purchases of merchandise are negotiated and paid for in U.S. dollars, declines in foreign currencies and currency exchange rates might negatively affect the profitability and business prospects of one or more of our foreign vendors. This, in turn, might cause such foreign vendors to demand higher prices for merchandise in their effort to offset any lost profits associated with any currency devaluation, delay merchandise shipments to us, or discontinue selling to us, any of which could ultimately reduce our sales or increase our costs. In addition, the rising cost of labor in the countries in which our foreign vendors operate has resulted in increases in our costs of doing business. Any further increases in the cost of living in such countries may result in additional increases in our costs or in our foreign vendors going out of business.

We, and our foreign vendors, are also subject to other risks and uncertainties associated with changing economic and political conditions within and outside of the U.S. These risks and uncertainties include import duties and quotas, compliance with anti-dumping regulations, work stoppages, economic uncertainties and adverse economic conditions (including inflation and recession), government regulations, employment and labor matters,

wars and fears of war, political unrest, natural disasters, public health issues, regulations to address climate change and other trade restrictions. We cannot predict whether any of the countries from which our raw materials or products are sourced, or in which our products are currently manufactured or may be manufactured in the future, will be subject to trade restrictions imposed by the U.S. or foreign governments or the likelihood, type or effect of any such restrictions. Any event causing a disruption or delay of imports from foreign vendors, including labor disputes resulting in work disruption (such as the disruptions at the west coast ports in early 2015), the imposition of additional import restrictions, restrictions on the transfer of funds and/or increased tariffs or quotas, or both, could increase the cost, reduce the supply of merchandise available to us, or result in excess inventory if merchandise is received after the planned or appropriate selling season, all of which could adversely affect our business, financial condition and operating results. Furthermore, some or all of our foreign vendors' operations may be adversely affected by political and financial instability resulting in the disruption of trade from exporting countries, restrictions on the transfer of funds and/or other trade disruptions. In addition, an economic downturn, or failure of foreign markets, may result in financial instabilities for our foreign vendors, which may cause our foreign vendors to decrease production, discontinue selling to us, or cease operations altogether. Our global operations in Asia, Australia and Europe could also be affected by changing economic and political conditions in foreign countries, either of which could have a negative effect on our business, financial condition and operating results.

Although we continue to be focused on improving our global compliance program, there remains a risk that one or more of our foreign vendors will not adhere to our global compliance standards, such as fair labor standards and the prohibition of child labor. Non-governmental organizations might attempt to create an unfavorable impression of our sourcing practices or the practices of some of our foreign vendors that could harm our image. If either of these events occurs, we could lose customer goodwill and favorable brand recognition, which could negatively affect our business and operating results.

We depend on foreign vendors and third-party agents for timely and effective sourcing of our merchandise, and we may not be able to acquire products in sufficient quantities and at acceptable prices to meet our needs, which would impact our operations and financial results.

Our performance depends, in part, on our ability to purchase our merchandise in sufficient quantities at competitive prices. We purchase our merchandise from numerous foreign and domestic manufacturers and importers. We have no contractual assurances of continued supply, pricing or access to new products, and any vendor could change the terms upon which it sells to us, discontinue selling to us, or go out of business at any time. We may not be able to acquire desired merchandise in sufficient quantities on terms acceptable to us. Better than expected sales demand may also lead to customer backorders and lower in-stock positions of our merchandise, which could negatively affect our business and operating results. In addition, our vendors may have difficulty adjusting to our changing demands and growing business.

Any inability to acquire suitable merchandise on acceptable terms or the loss of one or more of our foreign vendors or third-party agents could have a negative effect on our business and operating results because we would be missing products that we felt were important to our assortment, unless and until alternative supply arrangements are secured. We may not be able to develop relationships with new third-party agents or vendors, and products from alternative sources, if any, may be of a lesser quality and/or more expensive than those we currently purchase.

In addition, we are subject to certain risks that could limit our vendors' ability to provide us with quality merchandise on a timely basis and at prices that are commercially acceptable, including risks related to the availability of raw materials, labor disputes, work disruptions or stoppages, union organizing activities, vendor financial liquidity, inclement weather, natural disasters, public health issues, general economic and political conditions and regulations to address climate change.

If our vendors fail to adhere to our quality control standards, we may delay a product launch or recall a product, which could damage our reputation and negatively affect our operations and financial results.

Our vendors might not adhere to our quality control standards, and we might not identify the deficiency before merchandise ships to our stores or customers. Our vendors' failure to manufacture or import quality merchandise

in a timely and effective manner could damage our reputation and brands, and could lead to an increase in customer complaints and litigation against us and an increase in our routine insurance and litigation costs. Further, any merchandise that we receive, even if it meets our quality standards, could become subject to a recall, which could damage our reputation and brands, and harm our business. Additionally, changes to the legislative or regulatory framework regarding product safety or quality may subject companies like ours to more product recalls and result in higher recall-related expenses. Any recalls or other safety issues could harm our brands' images and negatively affect our business and operating results.

Our efforts to expand globally may not be successful and could negatively impact the value of our brands.

We are currently growing our business and increasing our global presence by opening new stores outside of the U.S., expanding our franchise operations, and offering shipping globally through third-party vendors. In fiscal 2013 we opened our first company-owned retail stores and launched e-commerce websites outside of North America as part of our overall global expansion strategy. While our global expansion to date has been a small part of our business, we plan to continue to increase the number of stores we open both directly and through our franchise arrangements. We have limited experience with global sales, understanding consumer preferences and anticipating buying trends in different countries, and marketing to customers overseas. Moreover, global awareness of our brands and our products may not be high. Consequently, we may not be able to successfully compete with established brands in these markets and our global sales may not result in the revenues we anticipate. Also, our products may not be accepted, either due to foreign legal requirements or due to different consumer tastes and trends. If our global growth initiatives are not successful, or if we or any of our third-party vendors fail to comply with any applicable regulations or laws, the value of our brands may be harmed and our future opportunities for global growth may be negatively affected. Further, the administration of our global expansion may divert management attention and require more resources than we expect. In addition, we are exposed to foreign currency exchange rate risk with respect to our operations denominated in currencies other than the U.S. dollar. Our retail stores in Canada, Australia and the United Kingdom, and our operations throughout Asia and Europe expose us to market risk associated with foreign currency exchange rate fluctuations. Although we use instruments to hedge certain foreign currency risks, such hedges may not succeed in offsetting all of the impact of foreign currency rate volatility and generally only delay such impact on our business and financial results. Further, because we do not hedge against all of our foreign currency exposure our business will continue to be susceptible to foreign currency fluctuations. Our ultimate realized gain or loss with respect to currency fluctuations will generally depend on the size and type of the transactions that we enter into, the currency exchange rates associated with these exposures, changes in those rates and whether we have entered into foreign currency hedge contracts to offset these exposures. All of these factors could materially impact our results of operations, financial position and cash flows.

We have franchise agreements with unaffiliated franchisees to operate stores and/or e-commerce websites in the Middle East, the Philippines and Mexico. In addition, during fiscal 2016, we entered into a franchise agreement with an unaffiliated franchisee to operate stores and e-commerce websites in South Korea, beginning in 2017. Under these agreements, our franchisees operate stores and/or e-commerce websites that sell goods purchased from us under our brand names. We continue to expand our franchise operations with our existing franchisees as well as seek out and identify new select franchise partnerships for select countries. The effect of these franchise arrangements on our business and results of operations is uncertain and will depend upon various factors, including the demand for our products in new global markets. In addition, certain aspects of our franchise arrangements are not directly within our control, such as the ability of each franchisee to meet its projections regarding store openings and sales, and the impact of exchange rate fluctuations on their business. Moreover, while the agreements we have entered into may provide us with certain termination rights, to the extent that our franchisees do not operate their stores in a manner consistent with our requirements regarding our brand identities and customer experience standards, the value of our brands could be impaired. In addition, in connection with these franchise arrangements, we have and will continue to implement certain new processes that may subject us to additional regulations and laws, such as U.S. export regulations. Failure to comply with any applicable regulations or laws could have an adverse effect on our results of operations.

We have limited experience operating on a global basis and our failure to effectively manage the risks and challenges inherent in a global business could adversely affect our business, operating results and financial condition and growth prospects.

We operate several retail businesses, subsidiaries and branch offices throughout Asia, Australia and Europe, which includes managing overseas employees, and may expand these overseas operations in the future. We have limited experience operating overseas subsidiaries and managing non-U.S. employees and, as a result, may encounter cultural challenges with local practices and customs that may result in harm to our reputation and the value of our brands. Our global presence exposes us to the laws and regulations of these jurisdictions, including those related to marketing, privacy, data protection, employment, and product safety and testing. We may be unable to keep current with government requirements as they change from time to time. Our failure to comply with such laws and regulations may harm our reputation, adversely affect our future opportunities for growth and expansion in these countries, and harm our business and operating results.

Moreover, our global operations subject us to a variety of risks and challenges, including:

- increased management, infrastructure and legal compliance costs, including the cost of real estate and labor in those markets;
- increased financial accounting and reporting requirements and complexities;
- increased operational and tax complexities, including managing our inventory globally;
- the diversion of management attention away from our core business;
- general economic conditions, changes in diplomatic and trade relationships and political and social instability in each country or region;
- economic uncertainty around the world;
- compliance with foreign laws and regulations and the risks and costs of non-compliance with such laws and regulations;
- compliance with U.S. laws and regulations for foreign operations;
- dependence on certain third parties, including vendors and other service providers, with whom we do not have extensive experience;
- fluctuations in foreign currency exchange rates and the related effect on our financial results, and the use of foreign exchange hedging programs to mitigate such risks;
- growing cash balances in foreign jurisdictions which may be subject to repatriation restrictions;
- reduced or varied protection for intellectual property rights in some countries and practical difficulties of enforcing such rights abroad; and
- compliance with the laws of foreign taxing jurisdictions and the overlapping of different tax regimes.

Any of these risks could adversely affect our global operations, reduce our revenues or increase our operating costs, which in turn could adversely affect our business, operating results, financial condition and growth prospects. Some of our vendors and our franchisees also have global operations and are subject to the risks described above. Even if we are able to successfully manage the risks of our global operations, our business may be adversely affected if our vendors and franchisees are not able to successfully manage these risks.

In addition, as we continue to expand our global operations, we are subject to certain U.S. laws, including the Foreign Corrupt Practices Act, in addition to the laws of the foreign countries in which we operate. We must ensure that our employees and third-party agents comply with these laws. If any of our overseas operations, or our employees or third-party agents, violates such laws, we could become subject to sanctions or other penalties that could negatively affect our reputation, business and operating results.

A number of factors that affect our ability to successfully open new stores or close existing stores are beyond our control, and these factors may harm our ability to expand or contract our retail operations and harm our ability to increase our sales and profits.

Approximately 48% of our net revenues are generated by our retail stores. Our ability to open additional stores or close existing stores successfully will depend upon a number of factors, including:

- general economic conditions;
- our identification of, and the availability of, suitable store locations;

- our success in negotiating new leases and amending or terminating existing leases on acceptable terms;
- the success of other retail stores in and around our retail locations;
- our ability to secure required governmental permits and approvals;
- our hiring and training of skilled store operating personnel, especially management;
- the availability of financing on acceptable terms, if at all; and
- the financial stability of our landlords and potential landlords.

Many of these factors are beyond our control. For example, for the purpose of identifying suitable store locations, we rely, in part, on demographic surveys regarding the location of consumers in our target market segments. While we believe that the surveys and other relevant information are helpful indicators of suitable store locations, we recognize that these information sources cannot predict future consumer preferences and buying trends with complete accuracy. In addition, changes in demographics, in consumer shopping patterns, such as a reduction in mall traffic, in the types of merchandise that we sell and in the pricing of our products, may reduce the number of suitable store locations or cause formerly suitable locations to become less desirable. Further, time frames for lease negotiations and store development vary from location to location and can be subject to unforeseen delays or unexpected cancellations. We may not be able to open new stores or, if opened, operate those stores profitably. Construction and other delays in store openings could have a negative impact on our business and operating results. Additionally, we may not be able to renegotiate the terms of our current leases or close our underperforming stores on terms favorable to us, any of which could negatively impact our operating results.

Our sales may be negatively impacted by increasing competition from companies with brands or products similar to ours.

The specialty e-commerce and retail businesses are highly competitive. We compete with other retailers that market lines of merchandise similar to ours. We compete with national, regional and local businesses that utilize a similar retail store strategy, as well as traditional furniture stores, department stores and specialty stores. The substantial sales growth in the e-commerce industry within the last decade has encouraged the entry of many new competitors, new business models, and an increase in competition from established companies, many of whom are willing to spend significant funds and/or reduce pricing in order to gain market share. In addition, the decline in the global economic environment has led to increased competition from discount retailers selling similar products at reduced prices. The competitive challenges facing us include:

- anticipating and quickly responding to changing consumer demands or preferences better than our competitors;
- maintaining favorable brand recognition and achieving customer perception of value;
- effectively marketing and competitively pricing our products to consumers in several diverse market segments;
- effectively managing and controlling our costs;
- effectively managing increasingly competitive promotional activity;
- effectively attracting new customers;
- developing new innovative shopping experiences, like mobile and tablet applications that effectively engage today's digital customers;
- developing innovative, high-quality products in colors and styles that appeal to consumers of varying age groups, tastes and regions, and in ways that favorably distinguish us from our competitors; and
- effectively managing our supply chain and distribution strategies in order to provide our products to our consumers on a timely basis and minimize returns, replacements and damaged products.

In light of the many competitive challenges facing us, we may not be able to compete successfully. Increased competition could reduce our sales and harm our operating results and business.

Our business and operating results may be harmed if we are unable to timely and effectively deliver merchandise to our stores and customers.

If we are unable to effectively manage our inventory levels and responsiveness of our supply chain, including predicting the appropriate levels and type of inventory to stock within each of our distribution facilities, our

business and operating results may be harmed. We continue to insource furniture delivery hubs in certain geographies and continue with the regionalization of our retail and e-commerce fulfillment capabilities. We are subject to risks that may disrupt our supply chain operations or regionalization efforts, such as increasing labor costs, union organizing activity, and our ability to effectively locate real estate for our distribution facilities or other supply chain operations.

Further, we cannot control all of the various factors that might affect our e-commerce fulfillment rates and timely and effective merchandise delivery to our stores. We rely upon third-party carriers for our merchandise shipments and reliable data regarding the timing of those shipments, including shipments to our customers and to and from our stores. In addition, we are heavily dependent upon two carriers for the delivery of our merchandise to our customers. As a result of our dependence on all of these third-party providers, we are subject to risks, including labor disputes (such as the disruptions at the west coast ports in early 2015), union organizing activity, inclement weather, natural disasters, the closure of such carriers' offices or a reduction in operational hours due to an economic slowdown, possible acts of terrorism affecting such carriers' ability to provide delivery services to meet our shipping needs, disruptions or increased fuel costs, and costs associated with any regulations to address climate change. Failure to deliver merchandise in a timely and effective manner could damage our reputation and brands. In addition, fuel costs have been volatile and airline and other transportation companies continue to struggle to operate profitably, which could lead to increased fulfillment expenses. Any rise in fulfillment expenses could negatively affect our business and operating results.

Our failure to successfully manage our order-taking and fulfillment operations could have a negative impact on our business and operating results.

Our e-commerce business depends, in part, on our ability to maintain efficient and uninterrupted order-taking and fulfillment operations in our distribution facilities, our customer care centers and on our e-commerce websites. Disruptions or slowdowns in these areas could result from disruptions in telephone or network services, power outages, inadequate system capacity, system hardware or software issues, computer viruses, security breaches, human error, changes in programming, union organizing activity, insufficient or inadequate labor to fulfill the orders, disruptions in our third-party labor contracts, inefficiencies due to inventory levels and limited distribution facility space, natural disasters or adverse weather conditions. Industries that are particularly seasonal, such as the home furnishings business, face a higher risk of harm from operational disruptions during peak sales seasons. These problems could result in a reduction in sales as well as increased selling, general and administrative expenses.

In addition, we face the risk that we cannot hire enough qualified employees to support our e-commerce operations, or that there will be a disruption in the workforce we hire from our third-party providers, especially during our peak season. The need to operate with fewer employees could negatively impact our customer service levels and our operations.

Our facilities and systems, as well as those of our vendors, are vulnerable to natural disasters and other unexpected events, any of which could result in an interruption in our business and harm our operating results.

Our retail stores, corporate offices, distribution and manufacturing facilities, infrastructure and e-commerce operations, as well as the operations of our vendors from which we receive goods and services, are vulnerable to damage from earthquakes, tornadoes, hurricanes, fires, floods or other volatile weather, power losses, telecommunications failures, hardware and software failures, computer viruses and similar events. If any of these events result in damage to our facilities or systems, or those of our vendors, we may experience interruptions in our business until the damage is repaired, resulting in the potential loss of customers and revenues. In addition, we may incur costs in repairing any damage beyond our applicable insurance coverage.

Our failure to successfully manage the costs and performance of our catalog mailings might have a negative impact on our business.

Catalog mailings are an important component of our business. Postal rate increases affect the cost of our catalog mailings. We rely on discounts from the basic postal rate structure, which could be changed or discontinued at

any time. Further, the U.S. Postal Service may raise rates in the future, which could negatively impact our business. The cost of paper, printing and catalog distribution also impacts our catalog business. We have consolidated all of our catalog printing work with one printer. Our dependence on one vendor subjects us to various risks if the vendor fails to perform under our agreement. Paper costs have also fluctuated significantly in the past and may continue to fluctuate in the future. We have also recently consolidated all of our paper purchasing through a single broker. Consolidation within the paper industry has reduced the number of potential suppliers capable of meeting our paper requirements, leading to increased costs. Our dependence on a single broker and/or further consolidation in the paper industry could limit our ability in the future to obtain favorable terms including price, custom paper quality, paper quantity and service. Future increases in postal rates, paper costs or printing costs could have a negative impact on our operating results to the extent that we are unable to offset such increases by raising prices, implementing more efficient printing, mailing, delivery and order fulfillment systems, or through the use of alternative direct mail formats. In addition, if the performance of our catalogs declines, if we misjudge the correlation between our catalog circulation and net sales, or if our catalog strategy overall does not continue to be successful, our results of operations could be negatively impacted.

We have historically experienced fluctuations in our customers' response to our catalogs. Customer response to our catalogs is substantially dependent on merchandise assortment, merchandise availability and creative presentation, as well as the selection of customers to whom the catalogs are mailed, changes in mailing strategies, the size of our mailings, timing of delivery of our mailings, as well as the general retail sales environment and current domestic and global economic conditions. In addition, environmental organizations and other consumer advocacy groups may attempt to create an unfavorable impression of our paper use in catalogs and our distribution of catalogs generally, which may have a negative effect on our sales and our reputation. Further, we depend upon external vendors to print and mail our catalogs. The failure to effectively produce or distribute our catalogs could affect the timing of catalog delivery. The timing of catalog delivery has been and can be affected by postal service delays and may be impacted in the future by changes in the services provided by the post office. Any delays in the timing of catalog delivery could cause customers to forego or defer purchases, negatively impacting our business and operating results.

Declines in our comparable brand revenues may harm our operating results and cause a decline in the market price of our common stock.

Various factors affect comparable brand revenues, including the number, size and location of stores we open, close, remodel or expand in any period, the overall economic and general retail sales environment, consumer preferences and buying trends, changes in sales mix among distribution channels, our ability to efficiently source and distribute products, changes in our merchandise mix, competition (including competitive promotional activity and discount retailers), current local and global economic conditions, the timing of our releases of new merchandise and promotional events, the success of marketing programs, the cannibalization of existing store sales by our new stores, changes in catalog circulation and in our e-commerce business and fluctuations in foreign exchange rates. Among other things, weather conditions have affected, and may continue to affect, comparable brand revenues by limiting our ability to deliver our products to our stores, altering consumer behavior, or requiring us to close certain stores temporarily and thus reducing store traffic. Even if stores are not closed, many customers may decide to avoid going to stores in bad weather. These factors have caused and may continue to cause our comparable brand revenue results to differ materially from prior periods and from earnings guidance we have provided. For example, the overall economic and general retail sales environment, as well as local and global economic conditions, has caused a significant decline in our comparable brand revenue results in the past.

Our comparable brand revenues have fluctuated significantly in the past on an annual, quarterly and monthly basis, and we expect that comparable brand revenues will continue to fluctuate in the future. In addition, past comparable brand revenues are not necessarily an indication of future results and comparable brand revenues may decrease in the future. Our ability to improve our comparable brand revenue results depends, in large part, on maintaining and improving our forecasting of customer demand and buying trends, selecting effective marketing techniques, effectively driving traffic to our stores, e-commerce websites and direct mail catalogs through marketing and various promotional events, providing an appropriate mix of merchandise for our broad

and diverse customer base and using effective pricing strategies. Any failure to meet the comparable brand revenue expectations of investors and securities analysts in one or more future periods could significantly reduce the market price of our common stock.

Our failure to successfully anticipate merchandise returns might have a negative impact on our business.

We record a reserve for merchandise returns based on historical return trends together with current product sales performance in each reporting period. If actual returns are greater than those projected and reserved for by management, additional sales returns might be recorded in the future. In addition, to the extent that returned merchandise is damaged, we often do not receive full retail value from the resale or liquidation of the merchandise. Further, the introduction of new merchandise, changes in merchandise mix, changes in consumer confidence, or other competitive and general economic conditions may cause actual returns to differ from merchandise return reserves. Any significant increase in merchandise returns that exceeds our reserves could harm our business and operating results.

If we are unable to successfully manage the complexities associated with a multi-channel and multi-brand business, we may suffer declines in our existing business and our ability to attract new business.

With the expansion of our e-commerce business, the development of new brands, acquired brands, and brand extensions, our overall business has become substantially more complex. The changes in our business have forced us to develop new expertise and face new challenges, risks and uncertainties. For example, we face the risk that our e-commerce business, including our catalog circulation, might cannibalize a significant portion of our retail sales. While we recognize that our e-commerce sales cannot be entirely incremental to sales through our retail channel, we seek to attract as many new customers as possible to our e-commerce websites. We continually analyze the business results of our channels and the relationships among the channels in an effort to find opportunities to build incremental sales.

If we are unable to introduce new brands and brand extensions successfully, or to reposition or close existing brands, our business and operating results may be negatively impacted.

We have in the past and may in the future introduce new brands and brand extensions, reposition brands, close existing brands, or acquire new brands, especially as we continue to expand globally. Our newest brands and brand extensions — Williams Sonoma Home, PBteen and Mark and Graham, and any other new brands, as well as our acquired brand, Rejuvenation, or our expansion into new lines of business, including commercial furniture and hospitality, may not grow as we project and plan for. The work involved with integrating new brands into our existing systems and operations could be time consuming, require significant amounts of management time and result in the diversion of substantial operational resources. Further, if we devote time and resources to new brands, acquired brands, brand extensions, brand repositioning, or new lines of business and those businesses are not as successful as we planned, then we risk damaging our overall business results or incurring impairment charges to write off any existing goodwill associated with previously acquired brands. Alternatively, if our new brands, acquired brands, brand extensions, repositioned brands or new lines of business prove to be very successful, we risk hurting our other existing brands through the potential migration of existing brand customers to the new businesses. Further, in an effort to acquire or build new brands at an early enough stage to leverage the full scale of our capabilities and assets, we may forego the long-term evidence to guarantee success in new or emerging businesses. As a result, we may not be able to introduce new brands and brand extensions, integrate newly acquired brands, reposition existing brands, develop new lines of business or expand our brands globally, in a manner that improves our overall business and operating results and may therefore be forced to close the brands or new lines of business, which may damage our reputation and negatively impact our operating results.

Any significant changes in U.S. trade, tax or other policies that restrict imports or increase import tariffs could have a material adverse effect on our results of operations.

A significant portion of our products are manufactured outside of the U.S. Lawmakers are evaluating proposals for substantial changes to U.S. trade and tax policies, which could include import restrictions, increased import tariffs

or border-adjustment taxes. These policies — particularly a border-adjustment tax — could significantly increase our tax burden. These policies may also require us to increase our prices, which would likely adversely affect our sales and revenue. In addition, other countries might retaliate through the imposition of their own restrictions or increased tariffs, which could adversely affect our global sales and revenue. Any significant changes in current U.S. trade, tax or other policies could have a material adverse effect on our results of operations.

Fluctuations in our tax obligations and effective tax rate may result in volatility of our operating results.

We are subject to income taxes in many U.S. and certain foreign jurisdictions. Our provision for income taxes is subject to volatility and could be adversely impacted by a number of factors that require significant judgment and estimation. Although we believe our estimates are reasonable, actual results may materially differ from our estimates and adversely affect our financial condition or operating results. We record tax expense based on our estimates of future payments, which include reserves for our estimates of the additional income tax liability that is more likely than not to result from the ultimate resolution of foreign and domestic tax examinations. At any one time, many tax years are subject to examination by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. As a result, we expect that throughout the year there could be ongoing variability in our quarterly and annual effective tax rates as taxable events occur and uncertain tax positions are evaluated.

In addition, our effective tax rate in a given financial statement period may be materially impacted by changes in the mix and level of earnings or losses in countries with differing statutory tax rates or by changes to existing laws or regulations. For example, U.S. lawmakers are evaluating proposals for substantial changes to U.S. fiscal and tax policies, which could include comprehensive tax reform. We cannot predict the impact, if any, these changes may have on our business; however, such changes could have a material adverse effect on our business and results of operations.

Our inability to obtain commercial insurance at acceptable rates or our failure to adequately reserve for self-insured exposures might increase our expenses and have a negative impact on our business.

We believe that commercial insurance coverage is prudent in certain areas of our business for risk management. Insurance costs may increase substantially in the future and may be affected by natural catastrophes, fear of terrorism, financial irregularities, cybersecurity breaches and other fraud at publicly-traded companies, intervention by the government and a decrease in the number of insurance carriers. In addition, the carriers with which we hold our policies may go out of business or be otherwise unable to fulfill their contractual obligations, or may disagree with our interpretation of the coverage or the amounts owed. In addition, for certain types or levels of risk, such as risks associated with natural disasters or terrorist attacks, we may determine that we cannot obtain commercial insurance at acceptable rates, if at all. Therefore, we may choose to forego or limit our purchase of relevant commercial insurance, choosing instead to self-insure one or more types or levels of risks. We are primarily self-insured for workers' compensation, employment practices liability, employee health benefits, and product and general liability claims, among others. If we suffer a substantial loss that is not covered by commercial insurance or our self-insurance reserves, the loss and related expenses could harm our business and operating results. In addition, exposures exist for which no insurance may be available and for which we have not reserved.

Our inability or failure to protect our intellectual property would have a negative impact on our brands, reputation and operating results.

We may not be able to adequately protect our intellectual property in the U.S. or in foreign jurisdictions, particularly as we continue to expand globally. Our trademarks, service marks, copyrights, trade dress rights, trade secrets, domain names and other intellectual property are valuable assets that are critical to our success. The unauthorized reproduction, theft or other misappropriation of our intellectual property could diminish the value of our brands or reputation and cause a decline in our sales. Protection of our intellectual property and maintenance of distinct branding are particularly important as they distinguish our products and services from our competitors. In addition, the costs of defending our intellectual property may adversely affect our operating results.

We may be subject to legal proceedings that could result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources.

We are involved in lawsuits, claims and proceedings incident to the ordinary course of our business. Litigation is inherently unpredictable. Any claims against us, whether meritorious or not, could result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources. There has been a rise in the number of lawsuits against companies like us that gather information in order to market to consumers online or through the mail and, along with other retailers, we have been named in lawsuits for gathering zip code information from our customers. We believe that we have meritorious defenses against these actions, and we will continue to vigorously defend against them. There have also been a growing number of consumer protection, e-commerce-related patent infringement lawsuits and employment-related lawsuits in recent years. From time to time, we have been subject to these types of lawsuits. The cost of defending against these types of claims against us or the ultimate resolution of any such claims, whether by settlement or adverse court decision, may harm our business and operating results. In addition, the increasingly regulated business environment may result in a greater number of enforcement actions and private litigation. This could subject us to increased exposure to stockholder lawsuits.

Our operating results may be harmed by unsuccessful management of our employment, occupancy and other operating costs, and the operation and growth of our business may be harmed if we are unable to attract qualified personnel.

To be successful, we need to manage our operating costs and continue to look for opportunities to reduce costs. We recognize that we may need to increase the number of our employees, especially during holiday selling seasons, and incur other expenses to support new brands and brand extensions and the growth of our existing brands, including the opening of new stores. In addition, the market for prime real estate is competitive, especially in San Francisco where our corporate offices are headquartered. If we are unable to make substantial adjustments to our cost structure during times of uncertainty, such as an economic downturn or during times of expansion, we may incur unnecessary expenses or we may have inadequate resources to properly run our business, and our business and operating results may be negatively impacted. From time to time, we may also experience union organizing activity in currently non-union facilities, including in our stores and distribution facilities. Union organizing activity may result in work slowdowns or stoppages and higher labor costs. In addition, there appears to be a growing number of wage-and-hour lawsuits and other employment-related lawsuits against retail companies, especially in California. State, federal and global laws and regulations regarding employment change frequently and the ultimate cost of compliance cannot be precisely estimated. Further, there have been and may continue to be increases in minimum wage and health care requirements. Any changes in regulations, the imposition of additional regulations, or the enactment of any new or more stringent legislation that impacts employment and labor, trade, or health care, could have an adverse impact on our financial condition and results of operations.

We contract with various agencies to provide us with qualified personnel for our workforce. Any negative publicity regarding these agencies, such as in connection with immigration issues or employment practices, could damage our reputation, disrupt our ability to obtain needed labor or result in financial harm to our business, including the potential loss of business-related financial incentives in the jurisdictions where we operate. Although we strive to secure long-term contracts on favorable terms with our service providers and other vendors, we may not be able to avoid unexpected operating cost increases in the future, such as those associated with minimum wage increases or enhanced health care requirements. Further, we incur substantial costs to warehouse and distribute our inventory. We continue to insource furniture delivery hubs in certain geographies and continue to regionalize our retail and e-commerce fulfillment capabilities. Significant increases in our inventory levels may result in increased warehousing and distribution costs, such as costs related to additional distribution facilities, which we may not be able to lease on acceptable terms, if at all. Such increases in inventory levels may also lead to increases in costs associated with inventory that is lost, damaged or aged. Higher than expected costs, particularly if coupled with lower than expected sales, would negatively impact our business and operating results. In addition, in times of economic uncertainty, these long-term contracts may make it difficult to quickly reduce our fixed operating costs, which could negatively impact our business and operating results.

We are undertaking certain systems changes that might disrupt our business operations.

Our success depends, in part, on our ability to source, sell and distribute merchandise efficiently through appropriate systems and procedures. We are in the process of substantially modifying our information technology systems, which involves updating or replacing legacy systems with successor systems over the course of several years. There are inherent risks associated with replacing our core systems, including supply chain and merchandising systems disruptions, that could affect our ability to get the correct products into the appropriate stores and delivered to customers. We may not successfully launch these new systems, or the launch of such systems may result in disruptions to our business operations. In addition, changes to any of our software implementation strategies could result in the impairment of software-related assets. We are also subject to the risks associated with the ability of our vendors to provide information technology solutions to meet our needs. Any disruptions could negatively impact our business and operating results.

We outsource certain aspects of our business to third-party vendors and are in the process of insourcing certain business functions from third-party vendors, both of which subject us to risks, including disruptions in our business and increased costs.

We outsource certain aspects of our business to third-party vendors that subject us to risks of disruptions in our business as well as increased costs. For example, we utilize outside vendors for such things as payroll processing, email and other digital marketing and various distribution facilities and delivery services. In some cases, we rely on a single vendor for such services. Accordingly, we are subject to the risks associated with their ability to successfully provide the necessary services to meet our needs. If our vendors are unable to adequately protect our data and information is lost, our ability to deliver our services is interrupted, our vendors' fees are higher than expected, or our vendors make mistakes in the execution of operations support, then our business and operating results may be negatively impacted.

In addition, we are in the process of insourcing certain aspects of our business, including the management of certain furniture manufacturing and delivery, and in fiscal 2015 completed the insourcing of the management of our global vendors, each of which were previously outsourced to third-party providers. We may also need to continue to insource other aspects of our business in the future in order to control our costs and to stay competitive. This may cause disruptions in our business and result in increased cost to us. In addition, if we are unable to perform these functions better than, or at least as well as, our third-party providers, our business may be harmed.

If our operating and financial performance in any given period does not meet the guidance that we have provided to the public or the expectations of our investors and analysts, our stock price may decline.

We provide public guidance on our expected operating and financial results for future periods. Although we believe that this guidance provides investors and analysts with a better understanding of management's expectations for the future and is useful to our stockholders and potential stockholders, such guidance is comprised of forward-looking statements subject to the risks and uncertainties described in this report and in our other public filings and public statements. Our actual results may not always be in line with or exceed the guidance we have provided or the expectations of our investors and analysts, especially in times of economic uncertainty. In the past, when we have reduced our previously provided guidance, the market price of our common stock has declined. If, in the future, our operating or financial results for a particular period do not meet our guidance or the expectations of our investors and analysts or if we reduce our guidance for future periods, the market price of our common stock may decline.

A variety of factors, including seasonality and the economic environment, may cause our quarterly operating results to fluctuate, leading to volatility in our stock price.

Our quarterly results have fluctuated in the past and may fluctuate in the future, depending upon a variety of factors, including changes in economic conditions, shifts in the timing of holiday selling seasons, including Valentine's Day, Easter, Halloween, Thanksgiving and Christmas, as well as timing shifts due to 53-week fiscal

years, which occur approximately every five years. Historically, a significant portion of our net revenues and net earnings have typically been realized during the period from October through January each year, our peak selling season. In anticipation of increased holiday sales activity, we incur certain significant incremental expenses prior to and during peak selling seasons, including fixed catalog production and mailing costs and the costs associated with hiring a substantial number of temporary employees to supplement our existing workforce.

We may require funding from external sources, which may not be available at the levels we require, or may cost more than we expect, and, as a consequence, our expenses and operating results could be negatively affected.

We regularly review and evaluate our liquidity and capital needs. Although we have a growing balance of cash that is held offshore, we currently believe that our available cash, cash equivalents and cash flow from operations will be sufficient to finance our operations and expected capital requirements for at least the next 12 months. However, we might experience periods during which we encounter additional cash needs and we might need additional external funding to support our operations. Although we were able to amend and increase our line of credit facility during fiscal 2014 on acceptable terms, in the event we require additional liquidity from our lenders, such funds may not be available to us on acceptable terms, or at all. For example, in the event we were to breach any of our financial covenants, our banks would not be required to provide us with additional funding, or they may require us to renegotiate our existing credit facility on less favorable terms. In addition, we may not be able to renew our letters of credit that we use to help pay our suppliers on terms that are acceptable to us, or at all, as the availability of letter of credit facilities may become limited. Further, the providers of such credit may reallocate the available credit to other borrowers. If we are unable to access credit at the levels we require, or the cost of credit is greater than expected, it could adversely affect our operating results.

Disruptions in the financial markets may adversely affect our liquidity and capital resources and our business.

Global financial markets can experience extreme volatility, disruption and credit contraction, which adversely affect global economic conditions. Such turmoil in financial and credit markets or other changes in economic conditions could adversely affect sources of liquidity available to us or our costs of capital. We have access to capital through our revolving line of credit facility. Each financial institution, which is part of the syndicate for our revolving line of credit facility, is responsible for providing a portion of the loans to be made under the facility. If any lender, or group of lenders, with a significant portion of the commitments in our revolving line of credit facility fails to satisfy its obligations to extend credit under the facility and we are unable to find a replacement for such lender or group of lenders on a timely basis, if at all, our liquidity and our business may be materially adversely affected.

If we are unable to pay quarterly dividends or repurchase our stock at intended levels, our reputation and stock price may be harmed.

We have a \$500,000,000 stock repurchase program that we intend to execute over three years, of which we have \$410,578,000 remaining for future repurchases as of January 29, 2017. In March 2017, we announced that our Board of Directors had authorized an increase in our quarterly cash dividend from \$0.37 to \$0.39 per common share for an annual cash dividend of \$1.56 per share. The stock repurchase program and dividend may require the use of a significant portion of our cash earnings. As a result, we may not retain a sufficient amount of cash to fund our operations or finance future growth opportunities, new product development initiatives and unanticipated capital expenditures, which could adversely affect our financial performance. Further, our Board of Directors may, at its discretion, decrease the intended level of dividends or entirely discontinue the payment of dividends at any time. The stock repurchase program does not have an expiration date and may be limited at any time. Our ability to pay dividends and repurchase stock will depend on our ability to generate sufficient cash flows from operations in the future. This ability may be subject to certain economic, financial, competitive and other factors that are beyond our control. Any failure to pay dividends or repurchase stock after we have announced our intention to do so may negatively impact our reputation and investor confidence in us, and may negatively impact our stock price.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired and our investors' views of us could be harmed.

We have evaluated and tested our internal controls in order to allow management to report on, and our registered independent public accounting firm to attest to, the effectiveness of our internal controls, as required by Section 404 of the Sarbanes-Oxley Act of 2002. If we are not able to continue to meet the requirements of Section 404 in a timely manner, or with adequate compliance, we would be required to disclose material weaknesses if they develop or are uncovered and we may be subject to sanctions or investigation by regulatory authorities, such as the Securities and Exchange Commission or the New York Stock Exchange. In addition, our internal controls may not prevent or detect all errors and fraud on a timely basis, if at all. A control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable assurance that the objectives of the control system will be met. If any of the above were to occur, our business and the perception of us in the financial markets could be negatively impacted.

Changes to accounting rules or regulations may adversely affect our operating results.

Changes to existing accounting rules or regulations may impact our future operating results. A change in accounting rules or regulations may even affect our reporting of transactions completed before the change is effective. The introduction of new accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. Future changes to accounting rules or regulations, or the questioning of current accounting practices, may adversely affect our operating results.

Changes to estimates related to our cash flow projections may cause us to incur impairment charges related to our retail store locations and other property and equipment, including information technology systems, as well as goodwill.

We make estimates and projections in connection with impairment analyses for our retail store locations and other property and equipment, including information technology systems, as well as goodwill. These analyses require us to make a number of estimates and projections of future results. If these estimates or projections change or prove incorrect, we may be, and have been, required to record impairment charges on certain store locations and other property and equipment, including information technology systems. These impairment charges have been significant in the past and may be significant in the future and, as a result of these charges, our operating results have been and may, in the future, be adversely affected.

If we fail to attract and retain key personnel, our business and operating results may be harmed.

Our future success depends to a significant degree on the skills, experience and efforts of key personnel in our senior management, whose vision for our company, knowledge of our business and expertise would be difficult to replace. If any one of our key employees leaves, is seriously injured or unable to work, or fails to perform and we are unable to find a qualified replacement, we may be unable to execute our business strategy. In addition, our main offices are located in the San Francisco Bay Area, where competition for personnel with retail and technology skills can be intense. In addition, several of our strategic initiatives, including our technology and supply chain initiatives, require that we hire and/or develop employees with appropriate experience. We may not be successful in recruiting, retaining and motivating skilled personnel domestically or globally who have the requisite experience to achieve our global business goals, and failure to do so may harm our business. Further, in the event we need to hire additional personnel, we may experience difficulties in attracting and successfully hiring such individuals due to competition for highly skilled personnel, as well as the significantly higher cost of living expenses in our market.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease store locations, distribution and manufacturing facilities, corporate facilities and customer care centers for our U.S. and foreign operations for original terms generally ranging from 5 to 22 years. Certain leases contain renewal options for periods of up to 20 years.

For our store locations, our gross leased store space as of January 29, 2017 totaled approximately 6,359,000 square feet for 629 stores compared to approximately 6,163,000 square feet for 618 stores as of January 31, 2016.

Leased Properties

The following table summarizes the location and size of our leased facilities occupied as of January 29, 2017:

Location	Occupied Square Footage (Approximate)
<i>Distribution and Manufacturing Facilities</i>	
Mississippi	2,105,000
New Jersey	2,103,000
California	1,432,000
Georgia	1,075,000
Texas	896,000
Tennessee	603,000
North Carolina	412,000
Oregon	91,000
Other	573,000
<i>Corporate Facilities</i>	
New York	264,000
California	240,000
Oregon	71,000
<i>Customer Care Centers</i>	
Nevada	36,000
Oklahoma	36,000
Other	25,000

In addition to the above contracts, we enter into other agreements for offsite storage needs for our distribution facilities and our retail store locations, as necessary. As of January 29, 2017, the total leased space relating to these properties was not material to us and is not included in the occupied square footage reported above.

Owned Properties

As of January 29, 2017 we owned 471,000 square feet of space, primarily in California, for our corporate headquarters and certain data center operations.

We believe that all of our facilities are adequate for our current needs and that suitable additional or substitute space will be available in the future to replace our existing facilities, or to accommodate the expansion of our operations, if necessary.

ITEM 3. LEGAL PROCEEDINGS

We are involved in lawsuits, claims and proceedings incident to the ordinary course of our business. These disputes, which are not currently material, are increasing in number as our business expands and our company grows. We review the need for any loss contingency reserves and establish reserves when, in the opinion of management, it is probable that a matter would result in liability, and the amount can be reasonably estimated. In view of the inherent difficulty of predicting the outcome of these matters, it may not be possible to determine whether any loss is probable or to reasonably estimate the amount of the loss until the case is close to resolution, in which case no reserve is established until that time. Any claims against us, whether meritorious or not, could result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources. The results of these lawsuits, claims and proceedings cannot be predicted with certainty. However, we believe that the ultimate resolution of these current matters will not have a material adverse effect on our consolidated financial statements taken as a whole.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

Our common stock is traded on the New York Stock Exchange, or the NYSE, under the symbol WSM. The following table sets forth the high and low selling prices of our common stock on the NYSE for the periods indicated:

Fiscal 2016	High	Low
4 th Quarter	\$56.94	\$45.98
3 rd Quarter	\$57.40	\$45.96
2 nd Quarter	\$61.03	\$47.66
1 st Quarter	\$61.97	\$49.39
Fiscal 2015	High	Low
4 th Quarter	\$75.90	\$47.33
3 rd Quarter	\$89.38	\$71.03
2 nd Quarter	\$85.37	\$74.75
1 st Quarter	\$84.75	\$73.14

The closing price of our common stock on the NYSE on March 26, 2017 was \$47.96.

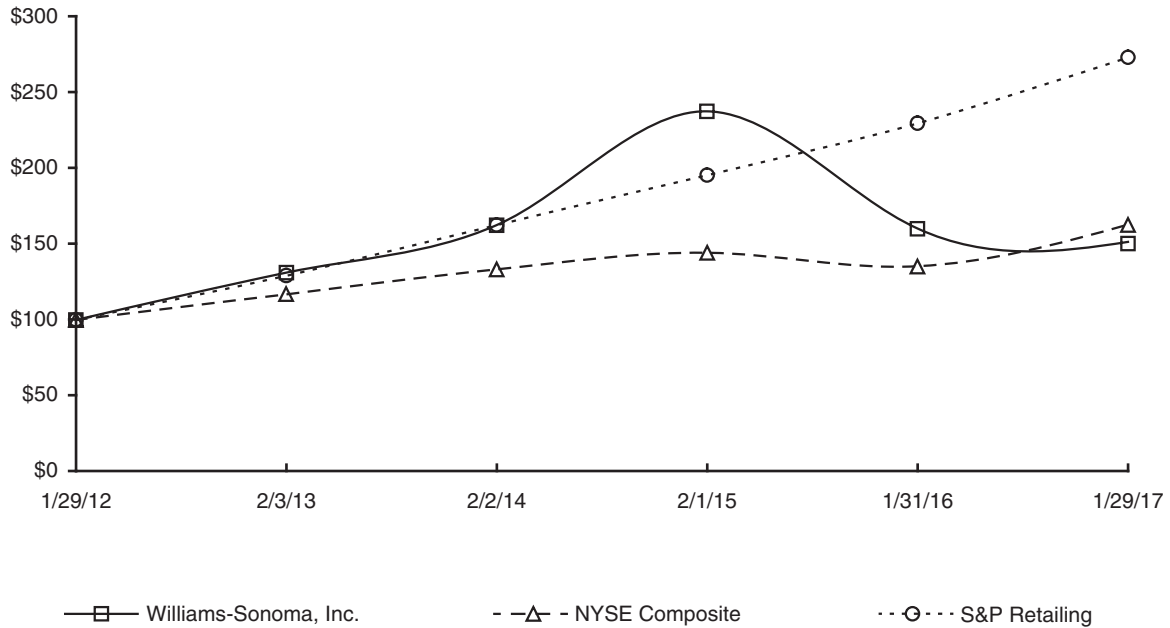
STOCKHOLDERS

The number of stockholders of record of our common stock as of March 26, 2017 was 358. This number excludes stockholders whose stock is held in nominee or street name by brokers.

PERFORMANCE GRAPH

This graph compares the cumulative total stockholder return for our common stock with those of the NYSE Composite Index and the S&P Retailing Index, our peer group index. The cumulative total return listed below assumed an initial investment of \$100 and reinvestment of dividends. The graph shows historical stock price performance, including reinvestment of dividends, and is not necessarily indicative of future performance.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN* Among Williams-Sonoma, Inc., the NYSE Composite Index, and the S&P Retailing Index



	1/29/12	2/3/13	2/2/14	2/1/15	1/31/16	1/29/17
Williams-Sonoma, Inc.	100.00	131.04	162.36	237.56	160.06	151.39
NYSE Composite Index	100.00	116.94	133.26	144.28	135.18	162.58
S&P Retailing Index	100.00	129.17	162.55	195.46	229.73	273.22

* Notes:

- The lines represent monthly index levels derived from compounded daily returns that include all dividends.
- The indices are re-weighted daily, using the market capitalization on the previous trading day.
- If the monthly interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.

DIVIDENDS

In fiscal 2016, fiscal 2015 and fiscal 2014, total cash dividends declared were approximately \$133,588,000, or \$1.48 per common share, \$130,290,000, or \$1.40 per common share, and \$125,378,000, or \$1.32 per common share, respectively. In March 2017, we announced that our Board of Directors had authorized a 5% increase in our quarterly cash dividend, from \$0.37 to \$0.39 per common share, subject to capital availability. Our quarterly cash dividend may be limited or terminated at any time.

STOCK REPURCHASE PROGRAMS

During fiscal 2016, we repurchased 2,871,480 shares of our common stock at an average cost of \$52.68 per share and a total cost of \$151,272,000. During fiscal 2015, we repurchased 2,950,438 shares of our common stock at an average cost of \$76.26 per share and a total cost of \$224,995,000. During fiscal 2014, we repurchased 3,331,557 shares of our common stock at an average cost of \$67.35 per share and a total cost of \$224,377,000.

The following table summarizes our repurchases of shares of our common stock during the fourth quarter of fiscal 2016 under our \$500,000,000 stock repurchase program:

Fiscal period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program
October 31, 2016 – November 27, 2016	179,052	\$ 49.33	179,052	\$ 437,851,000
November 28, 2016 – December 25, 2016	256,723	\$ 54.46	256,723	\$ 423,871,000
December 26, 2016 – January 29, 2017	271,232	\$ 49.01	271,232	\$ 410,578,000
Total	707,007	\$ 51.07	707,007	\$ 410,578,000

Stock repurchases under our program may be made through open market and privately negotiated transactions at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability and other market conditions. The stock repurchase program does not have an expiration date and may be limited or terminated at any time without prior notice.

ITEM 6. SELECTED FINANCIAL DATA

Five-Year Selected Financial Data

<i>In thousands, except percentages, per share amounts and retail stores data</i>	Fiscal 2016 (52 Weeks)	Fiscal 2015 (52 Weeks)	Fiscal 2014 (52 Weeks)	Fiscal 2013 (52 Weeks)	Fiscal 2012 (53 Weeks)
Results of Operations					
Net revenues	\$5,083,812	\$4,976,090	\$4,698,719	\$4,387,889	\$4,042,870
Net revenue growth	2.2%	5.9%	7.1%	8.5%	8.7%
Comparable brand revenue growth ¹	0.7%	3.7%	7.1%	8.8%	6.1%
Gross profit	\$1,883,310	\$1,844,214	\$1,800,504	\$1,704,216	\$1,592,476
Gross margin	37.0%	37.1%	38.3%	38.8%	39.4%
Operating income	\$ 472,599	\$ 488,634	\$ 502,265	\$ 452,098	\$ 409,163
Operating margin ²	9.3%	9.8%	10.7%	10.3%	10.1%
Net earnings	\$ 305,387	\$ 310,068	\$ 308,854	\$ 278,902	\$ 256,730
Basic earnings per share	\$ 3.45	\$ 3.42	\$ 3.30	\$ 2.89	\$ 2.59
Diluted earnings per share	\$ 3.41	\$ 3.37	\$ 3.24	\$ 2.82	\$ 2.54
Weighted average basic shares outstanding during the period	88,594	90,787	93,634	96,669	99,266
Weighted average diluted shares outstanding during the period	89,462	92,102	95,200	98,765	101,051
Financial Position					
Working capital ³	\$ 405,924	\$ 339,673	\$ 515,975	\$ 558,007	\$ 659,645
Total assets	\$2,476,879	\$2,417,427	\$2,330,277	\$2,336,734	\$2,187,679
Return on assets	12.5%	13.1%	13.2%	12.3%	12.0%
Net cash provided by operating activities	\$ 524,709	\$ 544,026	\$ 461,697	\$ 453,769	\$ 364,127
Capital expenditures	\$ 197,414	\$ 202,935	\$ 204,800	\$ 193,953	\$ 205,404
Long-term debt and other long-term obligations	\$ 71,215	\$ 49,713	\$ 62,698	\$ 61,780	\$ 50,216
Stockholders' equity	\$1,248,220	\$1,198,226	\$1,224,706	\$1,256,002	\$1,309,138
Stockholders' equity per share (book value)	\$ 14.29	\$ 13.38	\$ 13.33	\$ 13.35	\$ 13.39
Return on equity	25.0%	25.6%	24.9%	21.7%	20.0%
Annual dividends declared per share	\$ 1.48	\$ 1.40	\$ 1.32	\$ 1.24	\$ 0.88
E-commerce Net Revenues					
E-commerce net revenue growth	4.4%	6.4%	12.1%	13.1%	14.5%
E-commerce net revenues as a percent of net revenues	51.8%	50.7%	50.5%	48.2%	46.2%
Retail Net Revenues					
Retail net revenue growth (decline)	(0.1%)	5.4%	2.4%	4.6%	4.1%
Retail net revenues as a percent of net revenues	48.2%	49.3%	49.5%	51.8%	53.8%
Number of stores at year-end	629	618	601	585	581
Store selling square footage at year-end	3,951,000	3,827,000	3,684,000	3,590,000	3,548,000
Store leased square footage at year-end	6,359,000	6,163,000	5,965,000	5,838,000	5,778,000

¹ Comparable brand revenue is calculated on a 52-week to 52-week basis, with the exception of fiscal 2012 which was calculated on a 53-week to 53-week basis. See definition of comparable brand revenue within "Management's Discussion and Analysis of Financial Condition and Results of Operations."

² Operating margin is defined as operating income as a percent of net revenues.

³ In fiscal 2015, we prospectively adopted ASU 2015-17, Balance Sheet Classification of Deferred Taxes, and now present both deferred tax assets and deferred tax liabilities as noncurrent in our Consolidated Balance Sheets. Prior balance sheets were not retrospectively adjusted and, as a result, working capital for fiscal 2012, fiscal 2013 and fiscal 2014 may not be comparable to fiscal 2015 and fiscal 2016.

The information set forth above is not necessarily indicative of future operations and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and notes thereto in this Annual Report on Form 10-K.

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

The following discussion and analysis of our financial condition, results of operations, and liquidity and capital resources for the 52 weeks ended January 29, 2017 ("fiscal 2016"), the 52 weeks ended January 31, 2016 ("fiscal 2015"), and the 52 weeks ended February 1, 2015 ("fiscal 2014") should be read in conjunction with our Consolidated Financial Statements and notes thereto. All explanations of changes in operational results are discussed in order of magnitude.

OVERVIEW

Net revenues in fiscal 2016 increased by \$107,722,000 or 2.2%, compared to fiscal 2015, with comparable brand revenue growth of 0.7%. This increase in net revenues was driven by a 4.4% increase in e-commerce net revenues (primarily driven by West Elm, Williams Sonoma and Rejuvenation), with particular strength in furniture. This net revenue increase was partially offset by a 0.1% decrease in retail net revenues (primarily in Pottery Barn and Williams Sonoma, partially offset by increases in West Elm and Rejuvenation). Total fiscal 2016 net revenue growth included a 7.5% increase in international revenues primarily related to our company-owned international operations.

In Pottery Barn, our largest brand, comparable brand revenues declined 3.5% in fiscal 2016 compared to fiscal 2015. This decrease was primarily driven by our furniture, decorative accessories and table top collections, partially offset by stronger sales in upholstery. In the Williams Sonoma brand, comparable brand revenues increased 1.3% in fiscal 2016 compared to fiscal 2015. Growth in cookware, cutlery, tabletop and our Williams Sonoma Home business contributed to these results. In West Elm, comparable brand revenues increased 12.8% in fiscal 2016 on top of 14.8% in fiscal 2015. Growth continued to be broad-based across categories, primarily furniture. In Pottery Barn Kids, comparable brand revenues declined 1.4% in fiscal 2016 compared to fiscal 2015. Strength in our furniture business was more than offset by softness in textiles and decorative accessories. In PBteen, comparable brand revenues declined 6.2% in fiscal 2016 compared to fiscal 2015. Strength in back to school and dorm categories was more than offset by weakness in textiles and out of stock inventory in key furniture collections and gifting categories. And in our emerging brands, Rejuvenation and Mark and Graham, net revenues increased 26.6%.

Additionally, in fiscal 2016, diluted earnings per share increased to \$3.41, versus \$3.37 in fiscal 2015, and we returned \$284,811,000 to our stockholders through stock repurchases and dividends.

As we look forward to fiscal 2017, we plan to drive growth by focusing on our strategic priorities of innovation and operational excellence. We plan to increase our competitive advantage through innovation in e-commerce, our products and our services, as well as the retail experience. To accomplish this, we plan to invest in digital and online advertising initiatives. In Pottery Barn Kids and PBteen, we plan to drive innovation in product offerings across all stages of early life, and in Williams Sonoma, we plan to introduce high-quality products under the Williams Sonoma brand, as well as to develop innovative exclusives with our third party vendors. To enhance the customer experience in all of our stores, we plan to invest in point-of-sale technology and scheduling tools which will provide additional functionality and operational efficiencies. We plan to evaluate the role our retail stores can and should play and plan to invest in optimizing top-performing stores while closing underperforming stores. We also plan to continue to focus on operational excellence, driving strategies that directly improve our customers' experience and value perceptions. We believe that collectively these strategies will extend our leadership position across all of our brands.

Results of Operations

NET REVENUES

Net revenues consist of e-commerce net revenues and retail net revenues. E-commerce net revenues include sales of merchandise to customers through our e-commerce websites and our catalogs, as well as shipping fees. Retail net revenues include sales of merchandise to customers at our retail stores and to our franchisees, as well as shipping fees on any products shipped to our customers' homes. Shipping fees consist of revenue received from customers for delivery of merchandise to their homes. Revenues are presented net of sales returns and other discounts.

<i>In thousands</i>	Fiscal 2016	% Total	Fiscal 2015	% Total	Fiscal 2014	% Total
E-commerce net revenues	\$2,633,602	51.8%	\$2,522,580	50.7%	\$2,370,694	50.5%
Retail net revenues	2,450,210	48.2%	2,453,510	49.3%	2,328,025	49.5%
Net revenues	\$5,083,812	100.0%	\$4,976,090	100.0%	\$4,698,719	100.0%

Net revenues in fiscal 2016 increased by \$107,722,000 or 2.2%, compared to fiscal 2015, with comparable brand revenue growth of 0.7%. This increase in net revenues was driven by a 4.4% increase in e-commerce net revenues (primarily driven by West Elm, Williams Sonoma and Rejuvenation), with particular strength in furniture. This net revenue increase was partially offset by a 0.1% decrease in retail net revenues (primarily in Pottery Barn and Williams Sonoma, partially offset by increases in West Elm and Rejuvenation). Total fiscal 2016 net revenue growth included a 7.5% increase in international revenues primarily related to our company-owned international operations.

Net revenues in fiscal 2015 increased by \$277,371,000, or 5.9%, compared to fiscal 2014, with comparable brand revenue growth of 3.7%. This increase in net revenues was driven by a 6.4% increase in e-commerce net revenues (primarily driven by West Elm, Williams Sonoma and Pottery Barn Kids), and a 5.4% increase in our retail net revenues (primarily driven by West Elm), with particular strength in furniture. Total fiscal 2015 net revenue growth included a 26.8% increase in international revenues primarily related to our franchise operations, and a 3.3% increase in retail leased square footage primarily due to 17 net new stores.

The following table summarizes our net revenues by brand for fiscal 2016, fiscal 2015 and fiscal 2014:

<i>In thousands</i>	Fiscal 2016	Fiscal 2015	Fiscal 2014
Pottery Barn	\$2,024,218	\$2,074,051	\$2,022,331
Williams Sonoma	1,002,194	993,609	994,651
West Elm	971,568	821,136	669,074
Pottery Barn Kids	635,381	640,073	624,594
PBteen	237,818	253,602	260,617
Other ¹	212,633	193,619	127,452
Total	\$5,083,812	\$4,976,090	\$4,698,719

¹ Primarily consists of net revenues from our international franchise operations, Rejuvenation, and Mark and Graham.

Comparable Brand Revenue

Comparable brand revenue includes retail comparable store sales and e-commerce sales, as well as shipping fees, sales returns and other discounts associated with current period sales. Outlet comparable store net revenues are included in their respective brands. Comparable brand revenue excludes sales from certain operations until such time that we believe those sales are meaningful to evaluating the performance of the brand. Sales to our international franchisees have also been excluded as their stores and e-commerce websites are not operated by us.

Comparable stores are defined as permanent stores where gross square footage did not change by more than 20% in the previous 12 months and which have been open for at least 12 consecutive months without closure for seven or more consecutive days.

<i>Comparable brand revenue growth (decline)</i>	Fiscal 2016	Fiscal 2015	Fiscal 2014
Pottery Barn	(3.5%)	1.9%	5.8%
Williams Sonoma	1.3%	1.1%	3.8%
West Elm	12.8%	14.8%	18.2%
Pottery Barn Kids	(1.4%)	2.2%	5.9%
PBteen	(6.2%)	(2.7%)	5.7%
Total	0.7%	3.7%	7.1%

RETAIL STORE DATA

<i>In thousands</i>	Fiscal 2016	Fiscal 2015	Fiscal 2014
Retail net revenues	\$2,450,210	\$2,453,510	\$2,328,025
Retail net revenue growth (decline)	(0.1%)	5.4%	2.4%
Store count – beginning of year	618	601	585
Store openings	29	34	35
Store closings	(18)	(17)	(19)
Store count – end of year	629	618	601
Store selling square footage at year-end	3,951,000	3,827,000	3,684,000
Store leased square footage (“LSF”) at year-end	6,359,000	6,163,000	5,965,000

	Fiscal 2016		Fiscal 2015		Fiscal 2014	
	Store Count	Avg. LSF Per Store	Store Count	Avg. LSF Per Store	Store Count	Avg. LSF Per Store
Williams Sonoma	234	6,600	239	6,600	243	6,600
Pottery Barn	201	13,900	197	13,800	199	13,700
West Elm	98	13,300	87	13,200	69	13,700
Pottery Barn Kids	89	7,400	89	7,500	85	7,600
Rejuvenation	7	9,100	6	9,000	5	10,000
Total	629	10,100	618	10,000	601	9,900

COST OF GOODS SOLD

<i>In thousands</i>	Fiscal 2016	% Net Revenues	Fiscal 2015	% Net Revenues	Fiscal 2014	% Net Revenues
Cost of goods sold ¹	\$3,200,502	63.0%	\$3,131,876	62.9%	\$2,898,215	61.7%

¹ Includes occupancy expenses of \$664,177,000, \$631,817,000 and \$603,357,000 in fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

Cost of goods sold includes cost of goods, occupancy expenses and shipping costs. Cost of goods consists of cost of merchandise, inbound freight expenses, freight-to-store expenses and other inventory related costs such as shrinkage, damages and replacements. Occupancy expenses consist of rent, depreciation and other occupancy costs, including common area maintenance, property taxes and utilities. Shipping costs consist of third-party delivery services and shipping materials.

Our classification of expenses in cost of goods sold may not be comparable to other public companies, as we do not include non-occupancy related costs associated with our distribution network in cost of goods sold. These costs, which include distribution network employment, third-party warehouse management and other distribution related administrative expenses, are recorded in selling, general and administrative expenses.

Within our reportable segments, the e-commerce channel does not incur freight-to-store or store occupancy expenses, and typically operates with lower markdowns and inventory shrinkage than the retail channel.

However, the e-commerce channel incurs higher customer shipping, damage and replacement costs than the retail channel.

Fiscal 2016 vs. Fiscal 2015

Cost of goods sold increased by \$68,626,000, or 2.2%, in fiscal 2016 compared to fiscal 2015. Cost of goods sold as a percentage of net revenues remained relatively flat, increasing less than 10 basis points to 63.0% in fiscal 2016 from 62.9% in fiscal 2015. Higher selling margins from reduced shipping and fulfillment-related costs as a result of our focus on our supply chain and inventory initiatives were offset by an increase in occupancy costs related to investments in our supply chain.

In the e-commerce channel, cost of goods sold as a percentage of net revenues decreased in fiscal 2016 compared to fiscal 2015 primarily driven by higher selling margins from reduced shipping and fulfillment-related costs as a result of our focus on our supply chain and inventory initiatives, partially offset by an increase in occupancy costs related to investments in our supply chain.

In the retail channel, cost of goods sold as a percentage of net revenues increased in fiscal 2016 compared to fiscal 2015, primarily driven by occupancy deleverage and lower selling margins.

Fiscal 2015 vs. Fiscal 2014

Cost of goods sold increased by \$233,661,000, or 8.1%, in fiscal 2015 compared to fiscal 2014. Cost of goods sold as a percentage of net revenues increased to 62.9% in fiscal 2015 from 61.7% in fiscal 2014. This increase was driven by increased shipping and fulfillment-related costs and higher franchise revenues, which have a lower gross margin.

In the e-commerce channel, cost of goods sold as a percentage of net revenues increased in fiscal 2015 compared to fiscal 2014 primarily driven by increased shipping and fulfillment-related costs, and an increase in occupancy expenses.

In the retail channel, cost of goods sold as a percentage of net revenues increased for fiscal 2015 compared to fiscal 2014 driven by higher franchise revenues and increased fulfillment-related costs, partially offset by a reduction in advertising and employment costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands</i>	Fiscal 2016	% Net Revenues	Fiscal 2015	% Net Revenues	Fiscal 2014	% Net Revenues
Selling, general and administrative expenses	\$1,410,711	27.7%	\$1,355,580	27.2%	\$1,298,239	27.6%

Selling, general and administrative expenses consist of non-occupancy related costs associated with our retail stores, distribution and manufacturing facilities, customer care centers, supply chain operations (buying, receiving and inspection) and corporate administrative functions. These costs include employment, advertising, third-party credit card processing and other general expenses.

We experience differing employment and advertising costs as a percentage of net revenues within the retail and e-commerce channels due to their distinct distribution and marketing strategies. Employment costs represent a greater percentage of net revenues within the retail channel as compared to the e-commerce channel. However, advertising expenses are higher within the e-commerce channel than in the retail channel.

Fiscal 2016 vs. Fiscal 2015

Selling, general and administrative expenses increased by \$55,131,000, or 4.1%, in fiscal 2016 compared to fiscal 2015. Selling, general and administrative expenses as a percentage of net revenues increased to 27.7% in fiscal 2016 from 27.2% in fiscal 2015. This increase as a percentage of net revenues was primarily driven by severance-related reorganization charges of approximately \$14,406,000 during fiscal 2016, as well as an increase in digital advertising expenses.

In the e-commerce channel, selling, general and administrative expenses as a percentage of net revenues increased in fiscal 2016 compared to fiscal 2015 primarily driven by an increase in digital advertising expenses as a result of our focus on new customer acquisition, partially offset by the leverage of employment costs.

In the retail channel, selling, general and administrative expenses as a percentage of net revenues decreased in fiscal 2016 compared to fiscal 2015 primarily driven by the leverage of employment costs.

Fiscal 2015 vs. Fiscal 2014

Selling, general and administrative expenses for fiscal 2015 increased by \$57,341,000, or 4.4%, compared to fiscal 2014. Selling, general and administrative expenses as a percentage of net revenues decreased to 27.2% in fiscal 2015 from 27.6% in fiscal 2014. This decrease as a percentage of net revenues was primarily driven by the leverage of advertising expenses and employment costs, partially offset by litigation settlement income of \$7,414,000 recorded in fiscal 2014 that did not recur in fiscal 2015.

In the e-commerce channel, selling, general and administrative expenses as a percentage of net revenues was relatively flat for fiscal 2015 compared to fiscal 2014 primarily due to advertising leverage, offset by an increase in employment costs associated with incremental labor costs in our supply chain.

In the retail channel, selling, general and administrative expenses as a percentage of net revenues decreased for fiscal 2015 compared to fiscal 2014 primarily driven by the leverage of employment costs due to higher franchise revenues.

INCOME TAXES

Our effective income tax rate was 35.3% for fiscal 2016, 36.5% for fiscal 2015, and 38.5% for fiscal 2014. The decrease in the effective income tax rate in fiscal 2016 reflects a one-time favorable tax adjustment. The decrease in the effective income tax rate in fiscal 2015 compared to fiscal 2014 reflects fluctuations in the level and mix of earnings, as well as the favorable resolution of certain income tax matters.

LIQUIDITY AND CAPITAL RESOURCES

As of January 29, 2017, we held \$213,713,000 in cash and cash equivalents, the majority of which is held in demand deposit accounts and money market funds, and of which \$72,995,000 was held by our foreign subsidiaries. As is consistent within our industry, our cash balances are seasonal in nature, with the fourth quarter historically representing a significantly higher level of cash than other periods.

Throughout the fiscal year, we utilize our cash balances to build our inventory levels in preparation for our fourth quarter holiday sales. In fiscal 2017, we plan to use our cash resources to fund our inventory and inventory related purchases, advertising and marketing initiatives, property and equipment purchases, stock repurchases and dividend payments. In addition to our cash balances on hand, we have a \$500,000,000 unsecured revolving line of credit (“credit facility”) that may be used to borrow revolving loans or to request the issuance of letters of credit. We may, upon notice to the administrative agent, request existing or new lenders to increase the credit facility by up to \$250,000,000, at such lenders’ option, to provide for a total of \$750,000,000 of unsecured revolving credit. During fiscal 2016, we had borrowings of \$125,000,000 under the credit facility, all of which were repaid in the fourth quarter of fiscal 2016. During fiscal 2015, we had borrowings of \$200,000,000 under the credit facility, all of which were repaid in the fourth quarter of fiscal 2015.

During fiscal 2014, we redeemed restricted cash deposits of \$14,289,000 previously held under collateralized trust agreements. These deposits, which secured potential liabilities associated with our workers’ compensation and other insurance programs, were replaced with standby letters of credit. As of January 29, 2017, a total of \$12,090,000 in issued but undrawn standby letters of credit was outstanding under the credit facility.

Additionally, we had three unsecured letter of credit reimbursement facilities, which were amended during the year, for a total of \$70,000,000, of which an aggregate of \$6,565,000 was outstanding as of January 29, 2017. These letter of credit facilities represent only a future commitment to fund inventory purchases to which we had not taken legal title. We are currently in compliance with all of our financial covenants under the credit facility

and, based on our current projections, we expect to remain in compliance throughout fiscal 2017. We believe our cash on hand, in addition to our available credit facilities, will provide adequate liquidity for our business operations over the next 12 months.

Cash Flows from Operating Activities

For fiscal 2016, net cash provided by operating activities was \$524,709,000 compared to \$544,026,000 in fiscal 2015. For fiscal 2016, net cash provided by operating activities was primarily attributable to net earnings adjusted for non-cash items, an increase in deferred rent and lease incentives, as well as accrued salaries, benefits and other liabilities, partially offset by a decrease in income taxes payable. This represents a decrease in net cash provided by operating activities compared to fiscal 2015 primarily due to an increase in income taxes paid in fiscal 2016 compared to fiscal 2015.

For fiscal 2015, net cash provided by operating activities was \$544,026,000 compared to \$461,697,000 in fiscal 2014. For fiscal 2015, net cash provided by operating activities was primarily attributable to net earnings adjusted for non-cash items and an increase in accounts payable, customer deposits and income taxes payable, partially offset by an increase in merchandise inventories. This represents an increase in net cash provided by operating activities compared to fiscal 2014 primarily due to an increase in accounts payable and income taxes payable due to the timing of payments, partially offset by an increase in merchandise inventories.

Cash Flows from Investing Activities

For fiscal 2016, net cash used in investing activities was \$196,975,000 compared to \$202,166,000 for fiscal 2015, and was primarily attributable to purchases of property and equipment. Net cash used in investing activities compared to fiscal 2015 decreased primarily due to a reduction in purchases of property and equipment.

For fiscal 2015, net cash used in investing activities was \$202,166,000 compared to \$188,600,000 for fiscal 2014, and was primarily attributable to purchases of property and equipment. Net cash used in investing activities compared to fiscal 2014 increased primarily due to restricted cash receipts received in fiscal 2014 that did not recur in fiscal 2015.

Cash Flows from Financing Activities

For fiscal 2016, net cash used in financing activities was \$305,806,000 compared to \$369,383,000 in fiscal 2015. For fiscal 2016, net cash used in financing activities was primarily attributable to repurchases of common stock of \$151,272,000 and the payment of dividends of \$133,539,000. Net cash used in financing activities compared to fiscal 2015 decreased primarily due to a decrease in repurchases of common stock.

For fiscal 2015, net cash used in financing activities was \$369,383,000 compared to \$379,020,000 in fiscal 2014. For fiscal 2015, net cash used in financing activities was primarily attributable to repurchases of common stock of \$224,995,000 and the payment of dividends of \$127,636,000. Net cash used in financing activities compared to fiscal 2014 decreased primarily due to a decrease in tax withholding payments related to stock-based awards.

Dividends

See section titled Dividends within Part II, Item 5 of this Annual Report on Form 10-K for further information.

Stock Repurchase Programs

See section titled Stock Repurchase Programs within Part II, Item 5 of this Annual Report on Form 10-K for further information.

Contractual Obligations

The following table provides summary information concerning our future contractual obligations as of January 29, 2017:

<i>In thousands</i>	Payments Due by Period ¹				Total
	Fiscal 2017	Fiscal 2018 to Fiscal 2020	Fiscal 2021 to Fiscal 2022	Thereafter	
Operating leases ²	\$ 268,593	\$ 703,308	\$ 322,910	\$ 531,699	\$1,826,510
Purchase obligations ³	973,102	8,889	871	—	982,862
Total	\$1,241,695	\$ 712,197	\$ 323,781	\$ 531,699	\$2,809,372

¹ This table excludes \$28.7 million of liabilities for unrecognized tax benefits associated with uncertain tax positions as we are not able to reasonably estimate when and if cash payments for these liabilities will occur. This amount, however, has been recorded as a liability in our accompanying Consolidated Balance Sheet as of January 29, 2017.

² Projected payments include only those amounts that are fixed and determinable as of the reporting date. See Note E to our Consolidated Financial Statements for discussion of our operating leases.

³ Represents estimated commitments at year-end to purchase inventory and other goods and services in the normal course of business to meet operational requirements.

Other Contractual Obligations

We have other liabilities reflected in our Consolidated Balance Sheet. The payment obligations associated with these liabilities are not reflected in the table above due to the absence of scheduled maturities. The timing of these payments cannot be determined, except for amounts estimated to be payable in fiscal 2017, which are included in our current liabilities as of January 29, 2017.

We are party to a variety of contractual agreements under which we may be obligated to indemnify the other party for certain matters. These contracts primarily relate to commercial matters, operating leases, trademarks, intellectual property, and financial matters. Under these contracts, we may provide certain routine indemnification relating to representations and warranties or personal injury matters. The terms of these indemnifications range in duration and may not be explicitly defined. Historically, we have not made significant payments for these indemnifications. We believe that if we were to incur a loss in any of these matters, the loss would not have a material effect on our financial condition or results of operations.

Commercial Commitments

The following table provides summary information concerning our outstanding commercial commitments as of January 29, 2017:

<i>In thousands</i>	Amount of Outstanding Commitment Expiration By Period ¹				Total
	Fiscal 2017	Fiscal 2018 to Fiscal 2020	Fiscal 2021 to Fiscal 2022	Thereafter	
Standby letters of credit	\$ 12,090	—	—	—	\$ 12,090
Letter of credit facilities	6,565	—	—	—	6,565
Credit facility	—	—	—	—	—
Total	\$ 18,655	—	—	—	\$ 18,655

¹ See Note C to our Consolidated Financial Statements for discussion of our borrowing arrangements.

IMPACT OF INFLATION

The impact of inflation (or deflation) on our results of operations for the past three fiscal years has not been significant. However, we cannot be certain of the effect inflation (or deflation) may have on our results of operations in the future.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ from these estimates.

We believe the following critical accounting policies used in the preparation of our Consolidated Financial Statements include the significant estimates and assumptions that we consider to be the most critical to an understanding of our financial statements because they involve significant judgments and uncertainties. See Note A to our Consolidated Financial Statements for a detailed description of each policy.

Merchandise Inventories

Merchandise inventories, net of an allowance for excess quantities and obsolescence, are stated at the lower of cost (weighted average method) or market. To determine if the value of our inventory should be reduced below cost, we consider current and anticipated demand, customer preferences and age of the merchandise. The significant estimates used in inventory valuation are obsolescence (including excess and slow-moving inventory and lower of cost or market reserves) and estimates of inventory shrinkage. We reserve for obsolescence based on historical trends, aging reports, specific identification and our estimates of future sales and selling prices.

Reserves for shrinkage are estimated and recorded throughout the year as a percentage of net sales based on historical shrinkage results, expectations of future shrinkage and current inventory levels. Actual shrinkage is recorded at year-end based on the results of our physical inventory counts and can vary from our estimates due to such factors as changes in operations, the mix of our inventory (which ranges from large furniture to small tabletop items) and execution against loss prevention initiatives in our stores, distribution facilities, off-site storage locations, and with our third-party warehouse and transportation providers. Accordingly, there is no shrinkage reserve at year-end. Historically, actual shrinkage has not differed materially from our estimates.

Our obsolescence and shrinkage reserve calculations contain estimates that require management to make assumptions and to apply judgment regarding a number of factors, including market conditions, the selling environment, historical results and current inventory trends. If actual obsolescence or shrinkage estimates change from our original estimate, we will adjust our reserves accordingly throughout the year. We have made no material changes to our assumptions included in the calculations of the obsolescence and shrinkage reserves throughout the year. In addition, we do not believe a 10% change in our inventory reserves would have a material effect on net earnings. As of January 29, 2017 and January 31, 2016, our inventory obsolescence reserves were \$13,770,000 and \$9,782,000, respectively.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

We review the carrying value of all long-lived assets for impairment, primarily at an individual store level, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Our impairment analyses determine whether projected cash flows from operations are sufficient to recover the carrying value of these assets. Impairment may result when the carrying value of the asset exceeds the estimated undiscounted future cash flows over its remaining useful life. For store impairment, our estimate of undiscounted future cash flows over the store lease term is based upon our experience, the historical operations of the stores and estimates of future store profitability and economic conditions. The estimates of future store profitability and economic conditions require estimating such factors as sales growth, gross margin, employment costs, lease escalations, inflation and the overall economics of the retail industry, and are therefore subject to variability and difficult to predict. Actual future results may differ from those estimates. If a long-lived asset is found to be

impaired, the amount recognized for impairment is equal to the difference between the asset's net carrying value and its fair value. Long-lived assets are measured at fair value on a nonrecurring basis using Level 3 inputs as defined in the fair value hierarchy. The fair value is based on the present value of estimated future cash flows using a discount rate that approximates our weighted average cost of capital.

During fiscal 2016, fiscal 2015 and fiscal 2014, we recorded asset impairment charges of approximately \$1,765,000, \$2,100,000 and \$241,000, respectively, related to our retail stores, which is recorded within selling, general and administrative expenses.

Goodwill

Goodwill is not amortized, but rather is subject to impairment testing annually (on the first day of the fourth quarter), or between annual tests whenever events or changes in circumstances indicate that the fair value of a reporting unit may be below its carrying amount. We first perform a qualitative assessment to evaluate goodwill for potential impairment. If based on that assessment it is more likely than not that the fair value of the reporting unit is below its carrying value, a two-step quantitative test is necessary. The first step of the quantitative impairment test requires determining the fair value of the reporting unit. We use the income approach, whereby we calculate the fair value based on the present value of estimated future cash flows using a discount rate that approximates our weighted average cost of capital. The process of evaluating the potential impairment of goodwill is subjective and requires significant estimates and assumptions about the future such as sales growth, gross margins, employment rates, capital expenditures, inflation and future economic and market conditions. Actual future results may differ from those estimates. If the carrying value of the reporting unit's assets and liabilities, including goodwill, exceeds its fair value, goodwill may be impaired. We then must perform a second step of comparing the implied fair value of the goodwill to its carrying value to determine the impairment charge, if any.

At January 29, 2017 and January 31, 2016, we had goodwill of \$18,680,000 and \$18,703,000, respectively, included in other assets primarily related to our fiscal 2011 acquisition of Rejuvenation Inc. In fiscal 2016, we performed a qualitative assessment of potential goodwill impairment and determined it was more likely than not that the fair value of each of our reporting units exceeded its carrying value. Accordingly, no further impairment testing of goodwill was performed and we did not recognize any goodwill impairment in fiscal 2016. In fiscal 2015 and fiscal 2014, we performed a quantitative goodwill impairment test and determined that the fair value of both our reporting units substantially exceeded their carrying value. Accordingly, we did not recognize any goodwill impairment in fiscal 2015 or fiscal 2014.

Self-Insured Liabilities

We are primarily self-insured for workers' compensation, employee health benefits and product and general liability claims. We record self-insurance liability reserves based on claims filed, including the development of those claims, and an estimate of claims incurred but not yet reported. Factors affecting these estimates include future inflation rates, changes in severity, benefit level changes, medical costs and claim settlement patterns. Should a different number of claims occur compared to what was estimated, or costs of the claims increase or decrease beyond what was anticipated, reserves may need to be adjusted accordingly. We determine our workers' compensation liability and product and general liability claims reserves based on an actuarial analysis of historical claims data. Self-insurance reserves for workers' compensation, employee health benefits and product and general liability claims were \$24,988,000 and \$25,290,000 as of January 29, 2017 and January 31, 2016, respectively.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in our Consolidated Financial Statements. We record reserves for our estimates of the additional income tax liability that is more likely than not to result from the ultimate resolution of foreign and domestic tax examinations. At any one time, many tax years are subject to examination by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. We review and

update the estimates used in the accrual for uncertain tax positions as more definitive information becomes available from taxing authorities, upon completion of tax examination, upon expiration of statutes of limitation, or upon occurrences of other events.

In order to compute income tax on an interim basis, we estimate what our effective tax rate will be for the full fiscal year and adjust these estimates throughout the year as necessary. Adjustments to our income tax provision due to changes in our estimated effective tax rate are recorded in the interim period in which the change occurs. The tax expense (or benefit) related to items other than ordinary income is individually computed and recognized when the items occur. Our effective tax rate in a given financial statement period may be materially impacted by changes in the mix and level of our earnings in various taxing jurisdictions.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks, which include significant deterioration of the U.S. and foreign markets, changes in U.S. interest rates, foreign currency exchange rate fluctuations and the effects of economic uncertainty which may affect the prices we pay our vendors in the foreign countries in which we do business. We do not engage in financial transactions for trading or speculative purposes.

Interest Rate Risk

Our revolving line of credit has a variable interest rate which, when drawn upon, subjects us to risks associated with changes in that interest rate. During fiscal 2016, we had borrowings of \$125,000,000 under the credit facility, all of which were repaid in the fourth quarter of fiscal 2016. A hypothetical increase or decrease of one percentage point on our existing variable rate debt instrument would not materially affect our results of operations or cash flows.

In addition, we have fixed and variable income investments consisting of short-term investments classified as cash and cash equivalents, which are also affected by changes in market interest rates. As of January 29, 2017, our investments, made primarily in demand deposit accounts and money market funds, are stated at cost and approximate their fair values.

Foreign Currency Risks

We purchase a significant amount of inventory from vendors outside of the U.S. in transactions that are denominated in U.S. dollars. Approximately 1% of our international purchase transactions are in currencies other than the U.S. dollar, primarily the euro. Any foreign currency impact related to these international purchase transactions was not significant to us during fiscal 2016 or fiscal 2015. Since we pay for the majority of our international purchases in U.S. dollars, however, a decline in the U.S. dollar relative to other foreign currencies would subject us to risks associated with increased purchasing costs from our vendors in their effort to offset any lost profits associated with any currency devaluation. We cannot predict with certainty the effect these increased costs may have on our financial statements or results of operations.

In addition, our retail and/or e-commerce businesses in Canada, Australia and the United Kingdom, and our operations throughout Asia and Europe, expose us to market risk associated with foreign currency exchange rate fluctuations. Substantially all of our purchases and sales are denominated in U.S. dollars, which limits our exposure to this risk. However, some of our foreign operations have a functional currency other than the U.S. dollar. While the impact of foreign currency exchange rate fluctuations was not material to us in fiscal 2016, we have continued to see volatility in the exchange rates in the countries in which we do business. As we continue to expand globally, the foreign currency exchange risk related to our foreign operations may increase. To mitigate this risk, we hedge a portion of our foreign currency exposure with foreign currency forward contracts in accordance with our risk management policies (see Note L to our Consolidated Financial Statements).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Williams-Sonoma, Inc.
Consolidated Statements of Earnings

<i>In thousands, except per share amounts</i>	Fiscal 2016	Fiscal 2015	Fiscal 2014
E-commerce net revenues	\$ 2,633,602	\$ 2,522,580	\$ 2,370,694
Retail net revenues	2,450,210	2,453,510	2,328,025
Net revenues	5,083,812	4,976,090	4,698,719
Cost of goods sold	3,200,502	3,131,876	2,898,215
Gross profit	1,883,310	1,844,214	1,800,504
Selling, general and administrative expenses	1,410,711	1,355,580	1,298,239
Operating income	472,599	488,634	502,265
Interest (income) expense, net	688	627	62
Earnings before income taxes	471,911	488,007	502,203
Income taxes	166,524	177,939	193,349
Net earnings	\$ 305,387	\$ 310,068	\$ 308,854
Basic earnings per share	\$ 3.45	\$ 3.42	\$ 3.30
Diluted earnings per share	\$ 3.41	\$ 3.37	\$ 3.24
Shares used in calculation of earnings per share:			
Basic	88,594	90,787	93,634
Diluted	89,462	92,102	95,200

See Notes to Consolidated Financial Statements.

Williams-Sonoma, Inc.
Consolidated Statements of Comprehensive Income

<i>In thousands</i>	Fiscal 2016	Fiscal 2015	Fiscal 2014
Net earnings	\$ 305,387	\$ 310,068	\$ 308,854
Other comprehensive income (loss):			
Foreign currency translation adjustments	1,523	(7,958)	(9,305)
Change in fair value of derivative financial instruments, net of tax	(916)	1,074	806
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax	106	(1,184)	(573)
Comprehensive income	\$ 306,100	\$ 302,000	\$ 299,782

See Notes to Consolidated Financial Statements.

Williams-Sonoma, Inc.
Consolidated Balance Sheets

In thousands, except per share amounts

Jan. 29, 2017 Jan. 31, 2016

ASSETS		
Current assets		
Cash and cash equivalents	\$ 213,713	\$ 193,647
Accounts receivable, net	88,803	79,304
Merchandise inventories, net	977,505	978,138
Prepaid catalog expenses	23,625	28,919
Prepaid expenses	52,882	44,654
Other assets	10,652	11,438
Total current assets	1,367,180	1,336,100
Property and equipment, net	923,283	886,813
Deferred income taxes, net	135,238	141,784
Other assets, net	51,178	52,730
Total assets	\$ 2,476,879	\$ 2,417,427
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 453,710	\$ 447,412
Accrued salaries, benefits and other liabilities	130,187	127,122
Customer deposits	294,276	296,827
Income taxes payable	23,245	67,052
Other liabilities	59,838	58,014
Total current liabilities	961,256	996,427
Deferred rent and lease incentives	196,188	173,061
Other long-term obligations	71,215	49,713
Total liabilities	1,228,659	1,219,201
Commitments and contingencies – See Note I		
Stockholders' equity		
Preferred stock: \$.01 par value; 7,500 shares authorized; none issued	—	—
Common stock: \$.01 par value; 253,125 shares authorized; 87,325 and 89,563 shares issued and outstanding at January 29, 2017 and January 31, 2016, respectively	873	896
Additional paid-in capital	556,928	541,307
Retained earnings	701,702	668,545
Accumulated other comprehensive loss	(9,903)	(10,616)
Treasury stock – at cost: 20 and 29 shares as of January 29, 2017 and January 31, 2016, respectively	(1,380)	(1,906)
Total stockholders' equity	1,248,220	1,198,226
Total liabilities and stockholders' equity	\$ 2,476,879	\$ 2,417,427

See Notes to Consolidated Financial Statements.

Williams-Sonoma, Inc.
Consolidated Statements of Stockholders' Equity

<i>In thousands</i>	<u>Common Stock</u>		Additional	Retained	Accumulated Other	Treasury	Total
	Shares	Amount	Paid-in Capital	Earnings	Comprehensive Income (Loss)	Stock	Stockholders' Equity
Balance at February 2, 2014	94,049	\$ 941	\$ 522,595	\$ 729,043	\$ 6,524	\$(3,101)	\$ 1,256,002
Net earnings	—	—	—	308,854	—	—	308,854
Foreign currency translation adjustments	—	—	—	—	(9,305)	—	(9,305)
Change in fair value of derivative financial instruments, net of tax	—	—	—	—	806	—	806
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax	—	—	—	—	(573)	—	(573)
Exercise of stock-based awards and related tax effect	116	1	31,021	—	—	—	31,022
Conversion/release of stock-based awards ¹	1,058	10	(56,053)	—	—	—	(56,043)
Repurchases of common stock	(3,332)	(33)	(13,776)	(210,568)	—	—	(224,377)
Reissuance of treasury stock under stock-based compensation plans ¹	—	—	(1,158)	(737)	—	961	(934)
Stock-based compensation expense	—	—	44,632	—	—	—	44,632
Dividends declared	—	—	—	(125,378)	—	—	(125,378)
Balance at February 1, 2015	91,891	919	527,261	701,214	(2,548)	(2,140)	1,224,706
Net earnings	—	—	—	310,068	—	—	310,068
Foreign currency translation adjustments	—	—	—	—	(7,958)	—	(7,958)
Change in fair value of derivative financial instruments, net of tax	—	—	—	—	1,074	—	1,074
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax	—	—	—	—	(1,184)	—	(1,184)
Exercise of stock-based awards and related tax effect	68	1	17,238	—	—	—	17,239
Conversion/release of stock-based awards ¹	554	6	(31,411)	—	—	—	(31,405)
Repurchases of common stock	(2,950)	(30)	(12,646)	(212,319)	—	—	(224,995)
Reissuance of treasury stock under stock-based compensation plans ¹	—	—	(492)	(128)	—	234	(386)
Stock-based compensation expense	—	—	41,357	—	—	—	41,357
Dividends declared	—	—	—	(130,290)	—	—	(130,290)
Balance at January 31, 2016	89,563	896	541,307	668,545	(10,616)	(1,906)	1,198,226
Net earnings	—	—	—	305,387	—	—	305,387
Foreign currency translation adjustments	—	—	—	—	1,523	—	1,523
Change in fair value of derivative financial instruments, net of tax	—	—	—	—	(916)	—	(916)
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax	—	—	—	—	106	—	106
Exercise of stock-based awards and related tax effect	39	—	4,762	—	—	—	4,762
Conversion/release of stock-based awards ¹	594	6	(26,805)	—	—	(263)	(27,062)
Repurchases of common stock	(2,871)	(29)	(12,684)	(138,559)	—	—	(151,272)
Reissuance of treasury stock under stock-based compensation plans ¹	—	—	(706)	(83)	—	789	—
Stock-based compensation expense	—	—	51,054	—	—	—	51,054
Dividends declared	—	—	—	(133,588)	—	—	(133,588)
Balance at January 29, 2017	87,325	\$ 873	\$ 556,928	\$ 701,702	\$ (9,903)	\$(1,380)	\$ 1,248,220

¹ Amounts are shown net of shares withheld for employee taxes.

See Notes to Consolidated Financial Statements.

Williams-Sonoma, Inc.
Consolidated Statements of Cash Flows

<i>In thousands</i>	Fiscal 2016	Fiscal 2015	Fiscal 2014
Cash flows from operating activities:			
Net earnings	\$ 305,387	\$ 310,068	\$ 308,854
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	173,195	167,760	162,273
Loss on disposal/impairment of assets	3,806	4,339	2,410
Amortization of deferred lease incentives	(25,212)	(24,721)	(24,419)
Deferred income taxes	7,114	(7,436)	(248)
Tax benefit related to stock-based awards	3,230	14,592	26,952
Excess tax benefit related to stock-based awards	(4,894)	(14,494)	(26,560)
Stock-based compensation expense	51,116	41,357	44,632
Other	(423)	149	595
Changes in:			
Accounts receivable	(9,794)	(12,849)	(9,366)
Merchandise inventories	4,493	(92,647)	(76,964)
Prepaid catalog expenses	5,294	5,022	(386)
Prepaid expenses and other assets	(6,367)	(9,245)	(61)
Accounts payable	3,169	60,507	4,455
Accrued salaries, benefits and other liabilities	25,876	(135)	8,867
Customer deposits	(3,037)	35,877	34,400
Deferred rent and lease incentives	35,559	31,334	23,297
Income taxes payable	(43,803)	34,548	(17,034)
Net cash provided by operating activities	524,709	544,026	461,697
Cash flows from investing activities:			
Purchases of property and equipment	(197,414)	(202,935)	(204,800)
Restricted cash receipts	—	—	14,289
Other	439	769	1,911
Net cash used in investing activities	(196,975)	(202,166)	(188,600)
Cash flows from financing activities:			
Repurchases of common stock	(151,272)	(224,995)	(224,377)
Payment of dividends	(133,539)	(127,636)	(125,758)
Borrowings under revolving line of credit	125,000	200,000	90,000
Repayments of borrowings under revolving line of credit	(125,000)	(200,000)	(90,000)
Tax withholdings related to stock-based awards	(27,062)	(31,790)	(56,977)
Excess tax benefit related to stock-based awards	4,894	14,494	26,560
Proceeds related to stock-based awards	1,532	2,647	4,077
Repayment of long-term obligations	—	(1,968)	(1,785)
Other	(359)	(135)	(760)
Net cash used in financing activities	(305,806)	(369,383)	(379,020)
Effect of exchange rates on cash and cash equivalents	(1,862)	(1,757)	(1,271)
Net increase (decrease) in cash and cash equivalents	20,066	(29,280)	(107,194)
Cash and cash equivalents at beginning of year	193,647	222,927	330,121
Cash and cash equivalents at end of year	\$ 213,713	\$ 193,647	\$ 222,927
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	\$ 2,202	\$ 1,989	\$ 1,269
Cash paid during the year for income taxes, net of refunds	\$ 203,426	\$ 134,478	\$ 172,305
Non-cash investing activities:			
Purchases of property and equipment not yet paid for at end of year	\$ 625	\$ 2,715	\$ 4,808

See Notes to Consolidated Financial Statements.

Williams-Sonoma, Inc.
Notes to Consolidated Financial Statements

Note A: Summary of Significant Accounting Policies

We are a specialty retailer of high-quality products for the home. These products, representing distinct merchandise strategies — Williams Sonoma, Pottery Barn, Pottery Barn Kids, West Elm, PBteen, Williams Sonoma Home, Rejuvenation, and Mark and Graham — are marketed through e-commerce websites, direct mail catalogs and 629 stores. We have retail and/or e-commerce businesses in the U.S., Puerto Rico, Canada, Australia and the United Kingdom, and ship our products to customers worldwide. Our catalogs reach customers throughout the U.S. and Australia. In addition, we have unaffiliated franchisees that operate stores and/or e-commerce websites in the Middle East, the Philippines and Mexico. In addition, during fiscal 2016, we entered into a franchise agreement with an unaffiliated franchisee to operate stores and e-commerce websites in South Korea, beginning in fiscal 2017.

Consolidation

The Consolidated Financial Statements include the accounts of Williams-Sonoma, Inc. and its subsidiaries. All intercompany transactions and balances have been eliminated.

Fiscal Year

Our fiscal year ends on the Sunday closest to January 31, based on a 52 or 53-week year. Fiscal 2016, a 52-week year, ended on January 29, 2017; Fiscal 2015, a 52-week year, ended on January 31, 2016; and Fiscal 2014, a 52-week year, ended on February 1, 2015.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ from these estimates.

Cash Equivalents

Cash equivalents include highly liquid investments with an original maturity of three months or less. As of January 29, 2017, we were invested primarily in demand deposit accounts and money market funds. Book cash overdrafts issued, but not yet presented to the bank for payment, are reclassified to accounts payable.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at their carrying values, net of an allowance for doubtful accounts. Accounts receivable consist primarily of credit card, franchisee and landlord receivables for which collectability is reasonably assured. Receivables are evaluated for collectability on a regular basis and an allowance for doubtful accounts is recorded, if necessary. Our allowance for doubtful accounts was not material to our financial statements as of January 29, 2017 and January 31, 2016.

Merchandise Inventories

Merchandise inventories, net of an allowance for excess quantities and obsolescence, are stated at the lower of cost (weighted average method) or market. To determine if the value of our inventory should be reduced below cost, we consider current and anticipated demand, customer preferences and age of the merchandise. The significant estimates used in inventory valuation are obsolescence (including excess and slow-moving inventory and lower of cost or market reserves) and estimates of inventory shrinkage. We reserve for obsolescence based on historical trends, aging reports, specific identification and our estimates of future sales and selling prices.

Reserves for shrinkage are estimated and recorded throughout the year as a percentage of net sales based on historical shrinkage results, expectations of future shrinkage and current inventory levels. Actual shrinkage is

recorded at year-end based on the results of our physical inventory counts and can vary from our estimates due to such factors as changes in operations, the mix of our inventory (which ranges from large furniture to small tabletop items) and execution against loss prevention initiatives in our stores, distribution facilities, off-site storage locations, and with our third-party warehouse and transportation providers. Accordingly, there is no shrinkage reserve at year-end. Historically, actual shrinkage has not differed materially from our estimates.

Our obsolescence and shrinkage reserve calculations contain estimates that require management to make assumptions and to apply judgment regarding a number of factors, including market conditions, the selling environment, historical results and current inventory trends. If actual obsolescence or shrinkage estimates change from our original estimate, we will adjust our reserves accordingly throughout the year. We have made no material changes to our assumptions included in the calculations of the obsolescence and shrinkage reserves throughout the year. As of January 29, 2017 and January 31, 2016, our inventory obsolescence reserves were \$13,770,000 and \$9,782,000, respectively.

Advertising and Prepaid Catalog Expenses

Advertising expenses consist of media and production costs related to e-commerce advertising, catalog mailings and other direct marketing activities. All advertising costs are expensed as incurred, or upon the release of the initial advertisement, with the exception of prepaid catalog expenses. Prepaid catalog expenses consist primarily of third-party incremental direct costs, including creative design, paper, printing, postage and mailing costs for all of our direct response catalogs. Such costs are capitalized as prepaid catalog expenses and amortized over their expected period of future benefit, generally three months.

Total advertising expenses (including e-commerce advertising, catalog advertising and other advertising costs) were approximately \$347,474,000, \$333,276,000 and \$330,070,000 in fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Leasehold improvements	Shorter of estimated useful life or lease term (generally 5 – 22 years)
Fixtures and equipment	2 – 20 years
Buildings and building improvements	10 – 40 years
Capitalized software	2 – 10 years

We review the carrying value of all long-lived assets for impairment, primarily at an individual store level, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Our impairment analyses determine whether projected cash flows from operations are sufficient to recover the carrying value of these assets. Impairment may result when the carrying value of the asset exceeds the estimated undiscounted future cash flows over its remaining useful life. For store impairment, our estimate of undiscounted future cash flows over the store lease term is based upon our experience, the historical operations of the stores and estimates of future store profitability and economic conditions. The estimates of future store profitability and economic conditions require estimating such factors as sales growth, gross margin, employment costs, lease escalations, inflation and the overall economics of the retail industry, and are therefore subject to variability and difficult to predict. Actual future results may differ from those estimates. If a long-lived asset is found to be impaired, the amount recognized for impairment is equal to the difference between the asset's net carrying value and its fair value. Long-lived assets are measured at fair value on a nonrecurring basis using Level 3 inputs as defined in the fair value hierarchy. The fair value is based on the present value of estimated future cash flows using a discount rate that approximates our weighted average cost of capital.

During fiscal 2016, fiscal 2015 and fiscal 2014, we recorded asset impairment charges of approximately \$1,765,000, \$2,100,000 and \$241,000, respectively, related to our retail stores, which is recorded within selling, general and administrative expenses.

Goodwill

Goodwill is not amortized, but rather is subject to impairment testing annually (on the first day of the fourth quarter), or between annual tests whenever events or changes in circumstances indicate that the fair value of a reporting unit may be below its carrying amount. We first perform a qualitative assessment to evaluate goodwill for potential impairment. If based on that assessment it is more likely than not that the fair value of the reporting unit is below its carrying value, a two-step quantitative test is necessary. The first step of the quantitative impairment test requires determining the fair value of the reporting unit. We use the income approach, whereby we calculate the fair value based on the present value of estimated future cash flows using a discount rate that approximates our weighted average cost of capital. The process of evaluating the potential impairment of goodwill is subjective and requires significant estimates and assumptions about the future such as sales growth, gross margins, employment rates, capital expenditures, inflation and future economic and market conditions. Actual future results may differ from those estimates. If the carrying value of the reporting unit's assets and liabilities, including goodwill, exceeds its fair value, goodwill may be impaired. We then must perform a second step of comparing the implied fair value of the goodwill to its carrying value to determine the impairment charge, if any.

At January 29, 2017 and January 31, 2016, we had goodwill of \$18,680,000 and \$18,703,000, respectively, included in other assets primarily related to our fiscal 2011 acquisition of Rejuvenation Inc. In fiscal 2016, we performed a qualitative assessment of potential goodwill impairment and determined it was more likely than not that the fair value of each of our reporting units exceeded its carrying value. Accordingly, no further impairment testing of goodwill was performed and we did not recognize any goodwill impairment in fiscal 2016. In fiscal 2015 and fiscal 2014, we performed a quantitative goodwill impairment test and determined that the fair value of both our reporting units substantially exceeded their carrying value. Accordingly, we did not recognize any goodwill impairment in fiscal 2015 or fiscal 2014.

Self-Insured Liabilities

We are primarily self-insured for workers' compensation, employee health benefits and product and general liability claims. We record self-insurance liability reserves based on claims filed, including the development of those claims, and an estimate of claims incurred but not yet reported. Factors affecting these estimates include future inflation rates, changes in severity, benefit level changes, medical costs and claim settlement patterns. Should a different number of claims occur compared to what was estimated, or costs of the claims increase or decrease beyond what was anticipated, reserves may need to be adjusted accordingly. We determine our workers' compensation liability and product and general liability claims reserves based on an actuarial analysis of historical claims data. Self-insurance reserves for workers' compensation, employee health benefits and product and general liability claims were \$24,988,000 and \$25,290,000 as of January 29, 2017 and January 31, 2016, respectively.

Customer Deposits

Customer deposits are primarily comprised of deferred revenues related to unredeemed gift cards, merchandise credits and undelivered merchandise. We maintain a liability for unredeemed gift cards and merchandise credits until the earlier of redemption, escheatment or four years as we have concluded that the likelihood of our gift cards being redeemed beyond four years from the date of issuance is remote. Income from unredeemed gift cards and merchandise credits, which is recorded in other income within selling, general and administrative expense, is not material to our consolidated financial statements. Our gift cards and merchandise credits have no expiration dates.

Deferred Rent and Lease Incentives

For leases that contain fixed escalations of the minimum annual lease payment during the original term of the lease, we recognize rental expense on a straight-line basis over the lease term, including the construction period, and record the difference between rent expense and the amount currently payable as deferred rent. Deferred lease incentives include construction allowances received from landlords, which are amortized on a straight-line basis over the lease term, including the construction period.

For any store or facility closure where a lease obligation still exists, we record the estimated future liability associated with the rental obligation on the cease use date.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and debt approximate their estimated fair values. We use derivative instruments to hedge against foreign currency exchange rate fluctuations. The assets or liabilities associated with our derivative financial instruments are recorded at fair value in either other current or long-term assets or other current or long-term liabilities. The fair value of our foreign currency derivative instruments is measured using the income approach whereby we use observable market data at the measurement date and standard valuation techniques to convert future amounts to a single present value amount. These observable inputs include spot rates, forward rates, interest rates and credit derivative market rates (refer to Notes L and M for additional information).

Revenue Recognition

We recognize revenues and the related cost of goods sold (including shipping costs) at the time the products are delivered to our customers. Revenue is recognized for retail sales (excluding home-delivered merchandise) at the point of sale in the store and, for home-delivered merchandise and e-commerce sales, when the merchandise is delivered to the customer. Discounts provided to customers are accounted for as a reduction of sales. We record a reserve for estimated product returns in each reporting period. Shipping and handling fees charged to the customer are recognized as revenue at the time the products are delivered to the customer. Revenues are presented net of any taxes collected from customers and remitted to governmental authorities. We recognize revenues from sales to franchisees at the time merchandise ownership is transferred to the franchisee.

Sales Returns Reserve

Our customers may return purchased items for an exchange or refund. We record a reserve for estimated product returns, net of cost of goods sold, based on historical return trends together with current product sales performance. A summary of activity in our sales returns reserve is as follows:

<i>In thousands</i>	Fiscal 2016 ¹	Fiscal 2015 ¹	Fiscal 2014 ¹
Balance at beginning of year	\$ 19,113	\$ 14,782	\$ 15,954
Provision for sales returns	303,694	321,421	311,911
Actual sales returns	(306,749)	(317,090)	(313,083)
Balance at end of year	\$ 16,058	\$ 19,113	\$ 14,782

¹ Amounts are shown net of cost of goods sold.

Vendor Allowances

We receive allowances or credits from certain vendors for volume rebates. We treat such volume rebates as an offset to the cost of the product or services provided at the time the expense is recorded. These allowances and credits received are recorded in both cost of goods sold and in selling, general and administrative expenses.

Cost of Goods Sold

Cost of goods sold includes cost of goods, occupancy expenses and shipping costs. Cost of goods consists of cost of merchandise, inbound freight expenses, freight-to-store expenses and other inventory related costs such as shrinkage, damages and replacements. Occupancy expenses consist of rent, depreciation and other occupancy costs, including common area maintenance, property taxes and utilities. Shipping costs consist of third-party delivery services and shipping materials.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of non-occupancy related costs associated with our retail stores, distribution facilities, customer care centers, supply chain operations (buying, receiving and inspection) and corporate administrative functions. These costs include employment, advertising, third-party credit card processing and other general expenses.

Stock-Based Compensation

We account for stock-based compensation arrangements by measuring and recognizing compensation expense in our Consolidated Financial Statements for all stock-based awards using a fair value based method. Restricted stock units are valued using the closing price of our stock on the date prior to the date of grant. The fair value of each stock-based award is amortized over the requisite service period.

Foreign Currency Translation

Some of our foreign operations have a functional currency other than the U.S. dollar. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the average exchange rates during the period. The resulting translation adjustments are recorded as other comprehensive income within stockholders' equity. Foreign currency exchange gains and losses are recorded in selling, general and administrative expenses (except for those discussed in Note L).

Earnings Per Share

Basic earnings per share is computed as net earnings divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed as net earnings divided by the weighted average number of common shares outstanding plus common stock equivalents for the period. Common stock equivalents consist of shares subject to stock-based awards with exercise prices less than or equal to the average market price of our common stock for the period, to the extent their inclusion would be dilutive.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in our Consolidated Financial Statements. We record reserves for our estimates of the additional income tax liability that is more likely than not to result from the ultimate resolution of foreign and domestic tax examinations. At any one time, many tax years are subject to examination by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. We review and update the estimates used in the accrual for uncertain tax positions as more definitive information becomes available from taxing authorities, upon completion of tax examination, upon expiration of statutes of limitation, or upon occurrence of other events.

In order to compute income tax on an interim basis, we estimate what our effective tax rate will be for the full fiscal year and adjust these estimates throughout the year as necessary. Adjustments to our income tax provision due to changes in our estimated effective tax rate are recorded in the interim period in which the change occurs. The tax expense (or benefit) related to items other than ordinary income is individually computed and recognized when the items occur. Our effective tax rate in a given financial statement period may be materially impacted by changes in the mix and level of our earnings in various taxing jurisdictions.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Standards. In addition, in March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations*. The amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The FASB also issued ASU 2016-10, *Identifying Performance Obligations and Licensing* in April 2016, which amends certain aspects of ASU 2014-09 for identifying performance obligations and the implementation guidance on licensing. These ASUs are effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2017. We are currently assessing the impact of these ASUs on our Consolidated Financial Statements, however, we expect that the adoption of these standards will result in a change in the timing of revenue recognition for certain merchandise shipped to the customer, as well as a change in the timing of recognizing breakage income related to our gift cards.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which revises an entity's accounting related to the classification and measurement of

investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. This ASU is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017. We do not expect the adoption of this ASU to have a material impact on our financial condition, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than short-term leases). This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2018. We are currently assessing the impact of this ASU on our Consolidated Financial Statements, but expect that it will result in a substantial increase in our long-term assets and liabilities.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which simplifies the accounting for share-based payment transactions (including the accounting for income taxes and forfeitures, among other areas). The ASU requires entities to, among other things, recognize all excess tax benefits and deficiencies in the income statement, as a component of income tax expense or benefit, in the period in which they occur. The ASU also allows an entity to make an accounting policy election to either estimate expected forfeitures or account for them as they occur. We will adopt this ASU in the first quarter of fiscal 2017. Any increased volatility in the income statement as a result of applying the provisions of the ASU will be dependent on future vesting activity and volatility in our stock price. We plan to continue to estimate expected forfeitures.

In October 2016, the FASB issued ASU 2016-16, *Intra-Entity Transfers of Assets Other than Inventory*. The amendments remove the prohibition against the recognition of current and deferred income tax effects of intra-entity transfers of assets other than inventory until the asset has been sold to an outside party. This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2017. We do not expect the adoption of this ASU to have a material impact on our financial condition, results of operations or cash flows.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the measurement of goodwill impairment by eliminating step two from the goodwill impairment test. The ASU requires goodwill impairment to be measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. This ASU is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019 and early adoption is permitted. We do not expect the adoption of this ASU to have a material impact on our financial condition, results of operations or cash flows.

Note B: Property and Equipment

Property and equipment consists of the following:

<i>In thousands</i>	Jan. 29, 2017	Jan. 31, 2016
Leasehold improvements	\$ 923,909	\$ 861,852
Fixtures and equipment	762,379	714,911
Capitalized software	584,122	455,954
Land and buildings	172,856	172,782
Corporate systems projects in progress ¹	52,352	115,296
Construction in progress ²	13,704	20,325
Total	2,509,322	2,341,120
Accumulated depreciation	(1,586,039)	(1,454,307)
Property and equipment, net	\$ 923,283	\$ 886,813

¹ Corporate systems projects in progress as of January 31, 2016 included approximately \$77.6 million related to the portion of our new inventory and order management system that was placed in service during fiscal 2016.

² Construction in progress primarily consists of leasehold improvements and furniture and fixtures related to new, expanded or remodeled retail stores where construction had not been completed as of year-end.

Note C: Borrowing Arrangements

Credit Facility

We have a \$500,000,000 unsecured revolving line of credit (“credit facility”) that may be used to borrow revolving loans or request the issuance of letters of credit. We may, upon notice to the administrative agent, request existing or new lenders to increase the credit facility by up to \$250,000,000, at such lenders’ option, to provide for a total of \$750,000,000 of unsecured revolving credit. As of January 29, 2017, we were in compliance with our financial covenants under the credit facility and based on current projections, we expect to remain in compliance throughout fiscal 2017. The credit facility matures on November 19, 2019, at which time all outstanding borrowings must be repaid and all outstanding letters of credit must be cash collateralized.

We may elect interest rates calculated at (i) Bank of America’s prime rate (or, if greater, the average rate on overnight federal funds plus one-half of one percent, or a rate based on LIBOR plus one percent) plus a margin based on our leverage ratio or (ii) LIBOR plus a margin based on our leverage ratio. During fiscal 2016, we had borrowings of \$125,000,000 under the credit facility (at a weighted average interest rate of 1.54%), all of which were repaid in the fourth quarter of fiscal 2016, and no amounts were outstanding as of January 29, 2017. During fiscal 2015, we had borrowings of \$200,000,000 under the credit facility (at a weighted average interest rate of 1.11%), all of which were repaid in the fourth quarter of fiscal 2015, and no amounts were outstanding as of January 31, 2016. Additionally, as of January 29, 2017, \$12,090,000 in issued but undrawn standby letters of credit was outstanding under the credit facility. The standby letters of credit were issued to secure the liabilities associated with workers’ compensation and other insurance programs.

Letter of Credit Facilities

We have three unsecured letter of credit reimbursement facilities for a total of \$70,000,000, each of which matures on August 26, 2017. The letter of credit facilities contain covenants that are consistent with our unsecured revolving line of credit. Interest on unreimbursed amounts under the letter of credit facilities accrues at the lender’s prime rate (or, if greater, the average rate on overnight federal funds plus one-half of one percent) plus 2.0%. As of January 29, 2017, an aggregate of \$6,565,000 was outstanding under the letter of credit facilities, which represents only a future commitment to fund inventory purchases to which we had not taken legal title. The latest expiration possible for any future letters of credit issued under the facilities is January 23, 2018.

Note D: Income Taxes

The components of earnings before income taxes, by tax jurisdiction, are as follows:

<i>In thousands</i>	Fiscal 2016	Fiscal 2015	Fiscal 2014
United States	\$ 425,517	\$ 462,701	\$ 482,739
Foreign	46,394	25,306	19,464
Total earnings before income taxes	\$ 471,911	\$ 488,007	\$ 502,203

The provision for income taxes consists of the following:

<i>In thousands</i>	Fiscal 2016	Fiscal 2015	Fiscal 2014
Current			
Federal	\$ 125,760	\$ 156,812	\$ 157,227
State	26,197	22,969	31,959
Foreign	7,453	5,594	4,411
Total current	159,410	185,375	193,597
Deferred			
Federal	8,307	(6,093)	2,719
State	(807)	1,258	(2,547)
Foreign	(386)	(2,601)	(420)
Total deferred	7,114	(7,436)	(248)
Total provision	\$ 166,524	\$ 177,939	\$ 193,349

We have historically elected not to provide for U.S. income taxes with respect to the undistributed earnings of our foreign subsidiaries as we intended to utilize those earnings in our foreign operations for an indefinite period of time. As of January 29, 2017, the accumulated undistributed earnings of all foreign subsidiaries of \$118,700,000 are needed to support our anticipated future cash needs for our foreign operations. We currently intend to utilize those undistributed earnings for an indefinite period of time and will only repatriate such earnings when it is tax effective to do so. If we did not consider these earnings to be indefinitely reinvested, the deferred tax liability would have been in the range of \$18,000,000 to \$26,000,000 at January 29, 2017.

A reconciliation of income taxes at the federal statutory corporate rate to the effective rate is as follows:

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Federal income taxes at the statutory rate	35.0%	35.0%	35.0%
State income tax rate	3.5%	3.2%	4.0%
Other	(3.2%)	(1.7%)	(0.5%)
Effective tax rate	35.3%	36.5%	38.5%

Significant components of our deferred income tax accounts are as follows:

<i>Deferred tax assets (liabilities), in thousands</i>	Jan. 29, 2017	Jan. 31, 2016
Customer deposits	\$ 64,776	\$ 64,742
Merchandise inventories	32,003	31,752
Deferred rent	24,182	19,952
Accrued liabilities	23,994	17,028
Stock-based compensation	17,437	21,365
Compensation	16,781	15,776
State taxes	7,107	6,723
Executive deferred compensation	7,060	6,003
Deferred lease incentives	(36,715)	(36,475)
Depreciation	(22,477)	(4,527)
Prepaid catalog expenses	(8,726)	(10,883)
Other	10,811	11,451
Valuation allowance	(995)	(1,123)
Total deferred income tax assets, net	\$ 135,238	\$ 141,784

The following table summarizes the activity related to our gross unrecognized tax benefits:

<i>In thousands</i>	Fiscal 2016	Fiscal 2015	Fiscal 2014
Balance at beginning of year	\$ 13,290	\$ 14,359	\$ 10,765
Increases related to current year's tax positions	11,772	2,765	3,093
Increases related to prior years' tax positions	3,456	101	2,007
Decreases related to prior years' tax positions	(818)	(341)	(138)
Settlements	(714)	(2,912)	(1,144)
Lapses in statute of limitations	(1,122)	(682)	(224)
Balance at end of year	\$ 25,864	\$ 13,290	\$ 14,359

As of January 29, 2017, we had \$25,864,000 of gross unrecognized tax benefits, of which \$21,134,000 would, if recognized, affect the effective tax rate.

We accrue interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of January 29, 2017 and January 31, 2016, our accruals for the payment of interest and penalties totaled \$2,882,000 and \$2,649,000, respectively.

Due to the potential resolution of state issues, it is reasonably possible that the balance of our gross unrecognized tax benefits could decrease within the next twelve months by a range of \$0 to \$10,200,000.

We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Internal Revenue Service (IRS) has concluded examination of our U.S. federal income tax returns for years prior to fiscal

2012 without any significant adjustments. Substantially all material state, local and foreign income tax examinations have been concluded through fiscal 2004.

Note E: Accounting for Leases

Operating Leases

We lease store locations, distribution and manufacturing facilities, corporate facilities, customer care centers and certain equipment for our U.S. and foreign operations for original terms generally ranging from 5 to 22 years. Certain leases contain renewal options for periods up to 20 years. The rental payments for our store leases are typically structured as either: minimum rent; rent based on a percentage of store sales; minimum rent plus additional rent based on a percentage of store sales; or rent based on a percentage of store sales if a specified store sales threshold or contractual obligation of the landlord has not been met. Contingent rental payments, including rental payments that are based on a percentage of sales, cannot be predicted with certainty at the onset of the lease term. Accordingly, such contingent rental payments are recorded as incurred each period and are excluded from our calculation of deferred rent liability.

Total rent expense for all operating leases was as follows:

<i>In thousands</i>	Fiscal 2016	Fiscal 2015	Fiscal 2014
Rent expense	\$ 251,066	\$ 224,564	\$ 215,221
Contingent rent expense	26,980	33,985	32,699
Rent expense before deferred lease incentive income	278,046	258,549	247,920
Deferred lease incentive income	(25,298)	(24,679)	(24,420)
Less: sublease rental income	(558)	(608)	(560)
Total rent expense¹	\$ 252,190	\$ 233,262	\$ 222,940

¹ Excludes all other occupancy-related costs including depreciation, common area maintenance, property taxes and utilities.

The aggregate future minimum annual cash rental payments under non-cancellable operating leases in effect at January 29, 2017 were as follows:

<i>In thousands</i>	Lease Commitments ¹
Fiscal 2017	\$ 268,593
Fiscal 2018	258,767
Fiscal 2019	237,667
Fiscal 2020	206,874
Fiscal 2021	177,812
Thereafter	676,797
Total	\$ 1,826,510

¹ Projected cash payments include only those amounts that are fixed and determinable as of the reporting date and are not necessarily representative of future expected rent expense. We currently pay rent for certain store locations based on a percentage of store sales. As future store sales cannot be predicted with certainty, projected payments for these locations are based on minimum rent, which is generally higher than rent based on a percentage of store sales. We incur other lease obligation expenses, such as common area maintenance and other executory costs, which are not fixed in nature and are thus not included in the future projected cash payments reflected above. In addition, projected cash payments do not include any benefit from deferred lease incentive income, which is reflected within "Total rent expense" above.

Memphis-Based Distribution Facility

In August 1990, we entered into an agreement to lease a distribution facility in Memphis, Tennessee. The lessor is a general partnership comprised of the estate of W. Howard Lester, our former Chairman of the Board and Chief Executive Officer, and the estate of James A. McMahan, a former Director Emeritus and significant stockholder, and two unrelated parties. The terms of the lease automatically renewed until the second quarter of fiscal 2015 when the bonds that financed the construction of the facility were fully repaid. Simultaneously, we entered into an agreement with the partnership to lease the facility through July 2017. In 2017, we

exercised the first of two one-year extensions available under the lease which extended the term through July 2018. We made annual rental payments of approximately \$1,599,000, \$3,050,000 and \$2,432,000 including applicable taxes, insurance and maintenance expenses in fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

Note F: Earnings Per Share

The following is a reconciliation of net earnings and the number of shares used in the basic and diluted earnings per share computations:

<i>In thousands, except per share amounts</i>	Net Earnings	Weighted Average Shares	Earnings Per Share
Fiscal 2016			
Basic	\$ 305,387	88,594	\$ 3.45
Effect of dilutive stock-based awards		868	
Diluted	\$ 305,387	89,462	\$ 3.41
Fiscal 2015			
Basic	\$ 310,068	90,787	\$ 3.42
Effect of dilutive stock-based awards		1,315	
Diluted	\$ 310,068	92,102	\$ 3.37
Fiscal 2014			
Basic	\$ 308,854	93,634	\$ 3.30
Effect of dilutive stock-based awards		1,566	
Diluted	\$ 308,854	95,200	\$ 3.24

Stock-based awards of 261,000, 12,000 and 21,000 were excluded from the computation of diluted earnings per share in fiscal 2016, fiscal 2015 and fiscal 2014, respectively, as their inclusion would be anti-dilutive.

Note G: Stock-Based Compensation

Equity Award Programs

Our Amended and Restated 2001 Long-Term Incentive Plan (the “Plan”) provides for grants of incentive stock options, nonqualified stock options, stock-settled stock appreciation rights (collectively, “option awards”), restricted stock awards, restricted stock units (including those that are performance-based), deferred stock awards (collectively, “stock awards”) and dividend equivalents up to an aggregate of 32,310,000 shares. As of January 29, 2017, there were approximately 7,371,000 shares available for future grant. Awards may be granted under the Plan to officers, employees and non-employee members of the board of directors of the company (the “Board”) or any parent or subsidiary. Shares issued as a result of award exercises or releases are primarily funded with the issuance of new shares.

Option Awards

Annual grants of option awards are limited to 1,000,000 shares on a per person basis and have a maximum term of seven years. The exercise price of these option awards is not less than 100% of the closing price of our stock on the day prior to the grant date. Option awards granted to employees generally vest evenly over a period of four years for service-based awards. Certain option awards contain vesting acceleration clauses resulting from events including, but not limited to, retirement, merger or a similar corporate event.

Stock Awards

Annual grants of stock awards are limited to 1,000,000 shares on a per person basis and have a maximum term of seven years. Stock awards granted to employees generally vest evenly over a period of four years for service-based awards. Certain performance-based awards, which have variable payout conditions based on predetermined financial targets, vest three years from the date of grant. Certain stock awards and other agreements contain vesting acceleration clauses resulting from events including, but not limited to, retirement,

merger or a similar corporate event. Stock awards granted to non-employee Board members generally vest in one year. Non-employee Board members automatically receive stock awards on the date of their initial election to the Board and annually thereafter on the date of the annual meeting of stockholders (so long as they continue to serve as a non-employee Board member).

Stock-Based Compensation Expense

During fiscal 2016, fiscal 2015 and fiscal 2014, we recognized total stock-based compensation expense, as a component of selling, general and administrative expenses, of \$51,116,000, \$41,357,000 and \$44,632,000, respectively. As of January 29, 2017, there was \$62,212,000 of unrecognized stock-based compensation expense (net of estimated forfeitures), which we expect to recognize on a straight-line basis over a weighted average remaining service period of approximately two years. At each reporting period, all compensation expense attributable to vested awards has been fully recognized.

Stock Options

No stock options were granted in fiscal 2016, fiscal 2015 or fiscal 2014. Stock options exercised in fiscal 2016 were 38,500 at a weighted average exercise price of \$39.80. The total intrinsic value of stock options exercised was \$663,000 for fiscal 2016, \$2,722,000 for fiscal 2015 and \$3,564,000 for fiscal 2014. Intrinsic value for options exercised is based on the excess of the market value over the exercise price on the date of exercise. No stock options were outstanding as of January 29, 2017.

Stock-Settled Stock Appreciation Rights

A stock-settled stock appreciation right is an award that allows the recipient to receive common stock equal to the appreciation in the fair market value of our common stock between the grant date and the conversion date for the number of shares converted.

The following table summarizes our stock-settled stock appreciation right activity during fiscal 2016:

	Shares	Weighted Average Conversion Price ¹	Weighted Average Contractual Term Remaining (Years)	Intrinsic Value ²
Balance at January 31, 2016 (100% vested)	634,609	\$ 27.76		
Granted	—	—		
Converted into common stock	(222,899)	30.99		
Cancelled	—	—		
Balance at January 29, 2017 (100% vested)	411,710	\$ 26.02	1.45	\$8,844,000

¹ Conversion price is equal to the market value on the date of grant.

² Intrinsic value for outstanding and vested rights is based on the excess of the market value of our common stock on the last business day of the fiscal year (or \$47.50) over the conversion price.

No stock-settled stock appreciation rights were granted in fiscal 2016, fiscal 2015 or fiscal 2014. The total intrinsic value of awards converted to common stock was \$5,237,000 for fiscal 2016, \$24,465,000 for fiscal 2015 and \$26,837,000 for fiscal 2014. Intrinsic value for conversions is based on the excess of the market value on the date of conversion over the conversion price.

Restricted Stock Units

The following table summarizes our restricted stock unit activity during fiscal 2016:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Contractual Term Remaining (Years)	Intrinsic Value ¹
Balance at January 31, 2016	2,288,958	\$ 60.89		
Granted	1,159,211	59.17		
Released	(976,110)	52.33		
Cancelled	(239,573)	60.70		
Balance at January 29, 2017	2,232,486	\$ 63.75	3.11	\$106,043,000
Vested plus expected to vest at January 29, 2017	1,520,660	\$ 63.96	3.14	\$ 72,231,000

¹ Intrinsic value for outstanding and unvested restricted stock units is based on the market value of our common stock on the last business day of the fiscal year (or \$47.50).

The following table summarizes additional information about restricted stock units:

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Weighted average grant date fair value per share of awards granted	\$ 59.17	\$ 76.19	\$ 63.18
Intrinsic value of awards released ¹	\$56,405,000	\$50,773,000	\$101,189,000

¹ Intrinsic value for releases is based on the market value on the date of release.

Tax Effect

We present tax benefits resulting from the settlement of stock-based awards as operating cash flows in our Consolidated Statements of Cash Flows. Tax deductions in excess of the cumulative compensation cost recognized for stock-based awards settled are presented as a financing cash inflow and an operating cash outflow. During fiscal 2016, fiscal 2015 and fiscal 2014, proceeds related to stock-based awards was \$1,532,000, \$2,647,000 and \$4,077,000, respectively, and the current tax benefit related to stock-based awards totaled \$24,129,000, \$30,352,000 and \$52,798,000, respectively.

Note H: Williams-Sonoma, Inc. 401(k) Plan and Other Employee Benefits

We have a defined contribution retirement plan, the Williams-Sonoma, Inc. 401(k) Plan (the “401(k) Plan”), which is intended to be qualified under Internal Revenue Code sections 401(a), 401(k), 401(m) and 4975(e)(7). The 401(k) Plan permits eligible employees to make salary deferral contributions up to 75% of their eligible compensation each pay period (7% for highly-compensated employees). Employees designate the funds in which their contributions are invested. Each participant may choose to have his or her salary deferral contributions and earnings thereon invested in one or more investment funds, including our company stock fund.

Our matching contribution is equal to 50% of each participant’s salary deferral contribution, taking into account only those contributions that do not exceed 6% of the participant’s eligible pay for the pay period. Each participant’s matching contribution is earned on a semi-annual basis with respect to eligible salary deferrals for those employees that are employed with the company on June 30th or December 31st of the year in which the deferrals are made. Each associate must complete one year of service prior to receiving company matching contributions. For the first five years of the participant’s employment, all matching contributions vest at the rate of 20% per year of service, measuring service from the participant’s hire date. Thereafter, all matching contributions vest immediately. Our contributions to the plan were \$7,725,000, \$6,915,000 and \$6,038,000 in fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

The 401(k) Plan consists of two parts: a profit sharing plan portion and a stock bonus plan/employee stock ownership plan (the “ESOP”). The ESOP portion is the portion that is invested in the Williams-Sonoma, Inc. Stock Fund. The profit sharing and ESOP components of the 401(k) Plan are considered a single plan under Internal Revenue Code section 414(l).

We also have a nonqualified executive deferred compensation plan that provides supplemental retirement income benefits for a select group of management. This plan permits eligible employees to make salary and bonus deferrals that are 100% vested. We have an unsecured obligation to pay in the future the value of the deferred compensation adjusted to reflect the performance, whether positive or negative, of selected investment measurement options chosen by each participant during the deferral period. As of January 29, 2017 and January 31, 2016, \$18,736,000 and \$15,929,000, respectively, is included in other long-term obligations related to these deferred compensation liabilities. Additionally, we have purchased life insurance policies on certain participants to potentially offset these unsecured obligations. The cash surrender value of these policies was \$19,000,000 and \$17,112,000 as of January 29, 2017 and January 31, 2016, respectively, and is included in other assets, net.

Note I: Commitments and Contingencies

We are involved in lawsuits, claims and proceedings incident to the ordinary course of our business. These disputes, which are not currently material, are increasing in number as our business expands and our company grows. We review the need for any loss contingency reserves and establish reserves when, in the opinion of management, it is probable that a matter would result in liability, and the amount of loss, if any, can be reasonably estimated. In view of the inherent difficulty of predicting the outcome of these matters, it may not be possible to determine whether any loss is probable or to reasonably estimate the amount of the loss until the case is close to resolution, in which case no reserve is established until that time. Any claims against us, whether meritorious or not, could result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources. The results of these lawsuits, claims and proceedings cannot be predicted with certainty. However, we believe that the ultimate resolution of these current matters will not have a material adverse effect on our Consolidated Financial Statements taken as a whole.

Note J: Stock Repurchase Program and Dividends

During fiscal 2016, we repurchased 2,871,480 shares of our common stock at an average cost of \$52.68 per share and a total cost of approximately \$151,272,000 under our stock repurchase programs. As of January 29, 2017, we held treasury stock of \$1,380,000 that represents the cost of shares available for issuance intended to satisfy future stock-based award settlements in certain foreign jurisdictions.

During fiscal 2015, we repurchased 2,950,438 shares of our common stock at an average cost of \$76.26 per share and a total cost of approximately \$224,995,000. During fiscal 2014, we repurchased 3,331,557 shares of our common stock at an average cost of \$67.35 per share and a total cost of approximately \$224,377,000.

Stock repurchases under our program may be made through open market and privately negotiated transactions at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability and other market conditions. The stock repurchase program does not have an expiration date and may be limited or terminated at any time without prior notice.

Total cash dividends declared in fiscal 2016, fiscal 2015 and fiscal 2014, were approximately \$133,588,000, or \$1.48 per common share, \$130,290,000, or \$1.40 per common share and \$125,378,000, or \$1.32 per common share, respectively. In March 2017, we announced that our Board of Directors had authorized a 5% increase in our quarterly cash dividend, from \$0.37 to \$0.39 per common share, subject to capital availability. Our quarterly cash dividend may be limited or terminated at any time.

Note K: Segment Reporting

We have two reportable segments, e-commerce and retail. The e-commerce segment has the following merchandise strategies: Williams Sonoma, Pottery Barn, Pottery Barn Kids, West Elm, PBteen, Williams Sonoma Home, Rejuvenation and Mark and Graham, which sell our products through our e-commerce websites and direct mail catalogs. Our e-commerce merchandise strategies are operating segments, which have been aggregated into one reportable segment, e-commerce. The retail segment, which includes our franchise operations, has the following merchandise strategies: Williams Sonoma, Pottery Barn, Pottery Barn Kids, West

Elm and Rejuvenation, which sell our products through our retail stores. Our retail merchandise strategies are operating segments, which have been aggregated into one reportable segment, retail. Management's expectation is that the overall economic characteristics of each of our operating segments will be similar over time based on management's judgment that the operating segments have had similar historical economic characteristics and are expected to have similar long-term financial performance in the future.

These reportable segments are strategic business units that offer similar products for the home. They are managed separately because the business units utilize two distinct distribution and marketing strategies. Based on management's best estimate, our operating segments include allocations of certain expenses, including advertising and employment costs, to the extent they have been determined to benefit both channels. These operating segments are aggregated at the channel level for reporting purposes due to the fact that our brands are interdependent for economies of scale and we do not maintain fully allocated income statements at the brand level. As a result, material financial decisions related to the brands are made at the channel level. Furthermore, it is not practicable for us to report revenue by product group.

We use operating income to evaluate segment profitability. Operating income is defined as earnings (loss) before net interest income (expense) and income taxes. Unallocated costs before interest and income taxes include corporate employee-related costs, occupancy expenses (including depreciation expense), administrative costs and third-party service costs, primarily in our corporate administrative and systems departments. Unallocated assets include corporate cash and cash equivalents, prepaid expenses, the net book value of corporate facilities and related information systems, deferred income taxes and other corporate long-lived assets.

Income tax information by reportable segment has not been included as income taxes are calculated at a company-wide level and are not allocated to each reportable segment.

Segment Information

<i>In thousands</i>	E-commerce	Retail	Unallocated	Total
Fiscal 2016				
Net revenues ¹	\$ 2,633,602	\$ 2,450,210	\$ —	\$ 5,083,812
Depreciation and amortization expense	31,135	86,228	55,832	173,195
Operating income (loss) ²	606,286	231,929	(365,616)	472,599
Assets ³	614,213	1,077,593	785,073	2,476,879
Capital expenditures	21,479	102,859	73,076	197,414
Fiscal 2015				
Net revenues ¹	\$ 2,522,580	\$ 2,453,510	\$ —	\$ 4,976,090
Depreciation and amortization expense	32,056	83,027	52,677	167,760
Operating income (loss)	562,081	239,288	(312,735)	488,634
Assets ³	625,951	1,049,892	741,584	2,417,427
Capital expenditures	22,293	102,717	77,925	202,935
Fiscal 2014				
Net revenues ¹	\$ 2,370,694	\$ 2,328,025	\$ —	\$ 4,698,719
Depreciation and amortization expense	32,116	80,154	50,003	162,273
Operating income (loss)	560,396	248,535	(306,666)	502,265
Assets ³	600,503	1,028,293	701,481	2,330,277
Capital expenditures	41,633	97,247	65,920	204,800

¹ Includes net revenues related to our international operations (including our operations in Canada, Australia, the United Kingdom and our franchise businesses) of approximately \$321.2 million, \$298.9 million and \$235.8 million in fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

² Includes approximately \$14.4 million in fiscal 2016 for severance related reorganization charges due to headcount reduction, primarily in our corporate functions, which is recorded in selling, general and administrative expenses within the unallocated segment.

³ Includes long-term assets related to our international operations of approximately \$59.2 million, \$61.7 million and \$58.3 million in fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

Note L: Derivative Financial Instruments

We have retail and/or e-commerce businesses in Canada, Australia and the United Kingdom, and operations throughout Asia and Europe, which expose us to market risk associated with foreign currency exchange rate fluctuations. Substantially all of our purchases and sales are denominated in U.S. dollars, which limits our exposure to this risk. However, some of our foreign operations have a functional currency other than the U.S. dollar. To mitigate this risk, we hedge a portion of our foreign currency exposure with foreign currency forward contracts in accordance with our risk management policies. We do not enter into such contracts for speculative purposes. The assets or liabilities associated with the derivative instruments are measured at fair value and recorded in either other current or long-term assets or other current or long-term liabilities. As discussed below, the accounting for gains and losses resulting from changes in fair value depends on whether the derivative instrument is designated as a hedge and qualifies for hedge accounting in accordance with the FASB Accounting Standards Codification (“ASC”) 815, *Derivatives and Hedging*.

Cash Flow Hedges

We enter into foreign currency forward contracts designated as cash flow hedges (to sell Canadian dollars and purchase U.S. dollars) for forecasted inventory purchases in U.S. dollars by our foreign subsidiaries. These hedges have terms of up to 18 months. All hedging relationships are formally documented, and the forward contracts are designed to mitigate foreign currency exchange risk on hedged transactions. We record the effective portion of changes in the fair value of our cash flow hedges in other comprehensive income (“OCI”) until the earlier of when the hedged forecasted inventory purchase occurs or the respective contract reaches maturity. Subsequently, as the inventory is sold to the customer, we reclassify amounts previously recorded in OCI to cost of goods sold. Changes in the fair value of the forward contract related to interest charges (or forward points) are excluded from the assessment and measurement of hedge effectiveness and are recorded immediately in selling, general and administrative expenses. Based on the rates in effect as of January 29, 2017, we expect to reclassify a net pre-tax gain of approximately \$74,000 from OCI to cost of goods sold over the next 12 months.

We also enter into non-designated foreign currency forward contracts (to sell Australian dollars and purchase U.S. dollars) to reduce the exchange risk associated with our assets and liabilities denominated in a foreign currency. Any foreign exchange gains or losses related to these contracts are recognized in selling, general and administrative expenses.

As of January 29, 2017, and January 31, 2016, we had foreign currency forward contracts outstanding (in U.S. dollars) with notional values as follows:

<i>In thousands</i>	Jan. 29, 2017	Jan. 31, 2016
Contracts designated as cash flow hedges	\$ 19,550	\$ 24,500
Contracts not designated as cash flow hedges	\$ 46,000	\$ 40,000

Hedge effectiveness is evaluated prospectively at inception, on an ongoing basis, as well as retrospectively using regression analysis. Any measureable ineffectiveness of the hedge is recorded in selling, general and administrative expenses. No gain or loss was recognized for cash flow hedges due to hedge ineffectiveness and all hedges were deemed effective for assessment purposes for fiscal 2016, fiscal 2015 and fiscal 2014.

The effect of derivative instruments in our Consolidated Financial Statements, pre-tax, was as follows:

<i>In thousands</i>	Fiscal 2016	Fiscal 2015	Fiscal 2014
Net gain (loss) recognized in OCI	\$ (1,243)	\$ 1,454	\$ 1,153
Net gain (loss) reclassified from OCI to cost of goods sold	\$ (147)	\$ 1,605	\$ 573
Net foreign exchange gain (loss) recognized in selling, general and administrative expenses:			
Instruments designated as cash flow hedges ¹	\$ (4)	\$ (66)	\$ (155)
Instruments not designated or de-designated	\$ (3,569)	\$ 2,838	\$ (1,795)

¹ Changes in fair value of the forward contract related to interest charges (or forward points).

The fair values of our derivative financial instruments are presented below according to their classification in our Consolidated Balance Sheets. All fair values were measured using Level 2 inputs as defined by the fair value hierarchy described in Note M.

<i>In thousands</i>	Jan. 29, 2017	Jan. 31, 2016
Derivatives designated as cash flow hedges:		
Other current assets	\$ 241	\$ 866
Other long-term assets	\$ 21	\$ —
Other current liabilities	\$ (230)	\$ (115)
Derivatives not designated as hedging instruments:		
Other current assets	\$ 111	\$ —
Other current liabilities	\$ —	\$ (471)

We record all derivative assets and liabilities on a gross basis. They do not meet the balance sheet netting criteria as discussed in ASC 210, *Balance Sheet*, because we do not have master netting agreements established with our derivative counterparties that would allow for net settlement.

Note M: Fair Value Measurements

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

We determine the fair value of financial and non-financial assets and liabilities using the fair value hierarchy established by ASC 820, *Fair Value Measurement*, which defines three levels of inputs that may be used to measure fair value, as follows:

- Level 1: inputs which include quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs which include observable inputs other than Level 1 inputs, such as quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability; and
- Level 3: inputs which include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability.

The fair values of our cash and cash equivalents are based on Level 1 inputs, which include quoted prices in active markets for identical assets.

Foreign Currency Derivatives and Hedging Instruments

We use the income approach to value our derivatives using observable Level 2 market data at the measurement date and standard valuation techniques to convert future amounts to a single present value amount, assuming that

participants are motivated but not compelled to transact. Level 2 inputs are limited to quoted prices that are observable for the assets and liabilities, which include interest rates and credit risk ratings. We use mid-market pricing as a practical expedient for fair value measurements. Key inputs for currency derivatives are the spot rates, forward rates, interest rates and credit derivative market rates.

The counterparties associated with our foreign currency forward contracts are large credit-worthy financial institutions, and the derivatives transacted with these entities are relatively short in duration, therefore, we do not consider counterparty concentration and non-performance to be material risks at this time. Both we and our counterparties are expected to perform under the contractual terms of the instruments. None of the derivative contracts entered into are subject to credit risk-related contingent features or collateral requirements.

Property and Equipment

We review the carrying value of all long-lived assets for impairment, primarily at an individual store level, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We measure these assets at fair value on a nonrecurring basis using Level 3 inputs as defined in the fair value hierarchy. The fair value is based on the present value of estimated future cash flows using a discount rate that approximates our weighted average cost of capital.

There were no transfers between Level 1, 2 or 3 categories during fiscal 2016 or fiscal 2015.

Note N: Accumulated Other Comprehensive Income

Changes in accumulated other comprehensive income (loss) by component, net of tax, are as follows:

<i>In thousands</i>	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
Balance at February 2, 2014	\$ 5,783	\$ 741	\$ 6,524
Foreign currency translation adjustments	(9,305)	—	(9,305)
Change in fair value of derivative financial instruments	—	806	806
Reclassification adjustment for realized (gain) loss on derivative financial instruments ¹	—	(573)	(573)
Other comprehensive income (loss)	(9,305)	233	(9,072)
Balance at February 1, 2015	(3,522)	974	(2,548)
Foreign currency translation adjustments	(7,958)	—	(7,958)
Change in fair value of derivative financial instruments	—	1,074	1,074
Reclassification adjustment for realized (gain) loss on derivative financial instruments ¹	—	(1,184)	(1,184)
Other comprehensive income (loss)	(7,958)	(110)	(8,068)
Balance at January 31, 2016	(11,480)	864	(10,616)
Foreign currency translation adjustments	1,523	—	1,523
Change in fair value of derivative financial instruments	—	(916)	(916)
Reclassification adjustment for realized (gain) loss on derivative financial instruments ¹	—	106	106
Other comprehensive income (loss)	1,523	(810)	713
Balance at January 29, 2017	\$ (9,957)	\$ 54	\$ (9,903)

¹ Refer to Note L for additional disclosures about reclassifications out of accumulated other comprehensive income and their corresponding effects on the respective line items in the Consolidated Statements of Earnings.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Williams-Sonoma, Inc.:

We have audited the accompanying consolidated balance sheets of Williams-Sonoma, Inc. and subsidiaries (the “Company”) as of January 29, 2017 and January 31, 2016, and the related consolidated statements of earnings, comprehensive income, stockholders’ equity and cash flows for each of the three years in the period ended January 29, 2017. We also have audited the Company’s internal control over financial reporting as of January 29, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying “Management’s Report on Internal Control Over Financial Reporting.” Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Williams-Sonoma, Inc. and subsidiaries as of January 29, 2017 and January 31, 2016, and the results of their operations and their cash flows for each of the three years in the period ended January 29, 2017, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 29, 2017, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California
March 30, 2017

Quarterly Financial Information
(Unaudited)

In thousands, except per share amounts

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Fiscal 2016					
Net revenues	\$1,097,817	\$1,159,029	\$1,245,385	\$1,581,581	\$5,083,812
Gross profit	392,517	410,539	458,223	622,031	1,883,310
Operating income ¹	63,525	83,276	109,979	215,819	472,599
Net earnings ²	39,597	51,785	69,378	144,627	305,387
Basic earnings per share ³	\$ 0.44	\$ 0.58	\$ 0.78	\$ 1.65	\$ 3.45
Diluted earnings per share ³	\$ 0.44	\$ 0.58	\$ 0.78	\$ 1.63	\$ 3.41
Fiscal 2015					
Net revenues	\$1,030,676	\$1,127,028	\$1,232,082	\$1,586,304	\$4,976,090
Gross profit	378,841	406,625	451,188	607,560	1,844,214
Operating income	71,928	83,343	110,683	222,680	488,634
Net earnings	44,790	53,668	70,482	141,128	310,068
Basic earnings per share ³	\$ 0.49	\$ 0.59	\$ 0.78	\$ 1.57	\$ 3.42
Diluted earnings per share ³	\$ 0.48	\$ 0.58	\$ 0.77	\$ 1.55	\$ 3.37

¹ Includes approximately \$13.2 million and \$1.2 million in the first quarter and third quarter of fiscal 2016, respectively, for severance related reorganization charges due to headcount reduction, primarily in our corporate functions.

² Includes a benefit of \$7.7 million from a one-time favorable tax adjustment in the fourth quarter of fiscal 2016.

³ Due to differences between quarterly and full year weighted average share count calculations, and the effect of quarterly rounding to the nearest cent per share, full year earnings per share may not equal the sum of the quarters.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of January 29, 2017, an evaluation was performed by management, with the participation of our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for timely discussions regarding required disclosures, and that such information is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over the company’s financial reporting. These internal controls are designed to provide reasonable assurance that the reported information is fairly presented, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Further, because of changes in conditions, the effectiveness of any internal control may vary over time.

Our management assessed the effectiveness of the company's internal control over financial reporting as of January 29, 2017. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*. Based on our assessment using those criteria, our management concluded that, as of January 29, 2017, our internal control over financial reporting is effective.

Our independent registered public accounting firm audited the Consolidated Financial Statements included in this Annual Report on Form 10-K and the company's internal control over financial reporting. Their audit report appears on pages 58 and 59 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item is incorporated by reference herein to information under the headings “Election of Directors,” “Information Concerning Executive Officers,” “Audit and Finance Committee Report,” “Corporate Governance — Corporate Governance Guidelines and Code of Business Conduct and Ethics,” “Corporate Governance — Audit and Finance Committee” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item is incorporated by reference herein to information under the headings “Corporate Governance — Compensation Committee,” “Corporate Governance — Director Compensation,” and “Executive Compensation” in our Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item is incorporated by reference herein to information under the headings “Security Ownership of Principal Stockholders and Management” and “Equity Compensation Plan Information” in our Proxy Statement.

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

Information required by this Item is incorporated by reference herein to information under the heading “Certain Relationships and Related Transactions” in our Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this Item is incorporated by reference herein to information under the headings “Committee Reports — Audit and Finance Committee Report” and “Proposal 4 — Ratification of Selection of Independent Registered Public Accounting Firm — Deloitte Fees and Services” in our Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements:

The following Consolidated Financial Statements of Williams-Sonoma, Inc. and subsidiaries and the related notes are filed as part of this report pursuant to Item 8:

Consolidated Statements of Earnings for the fiscal years ended January 29, 2017, January 31, 2016 and February 1, 2015

Consolidated Statements of Comprehensive Income for the fiscal years ended January 29, 2017, January 31, 2016 and February 1, 2015

Consolidated Balance Sheets as of January 29, 2017 and January 31, 2016

Consolidated Statements of Stockholders' Equity for the fiscal years ended January 29, 2017, January 31, 2016 and February 1, 2015

Consolidated Statements of Cash Flows for the fiscal years ended January 29, 2017, January 31, 2016 and February 1, 2015

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Quarterly Financial Information

- (a)(2) Financial Statement Schedules: Schedules have been omitted because they are not required, are not applicable, or because the required information, where material, is included in the financial statements, notes, or supplementary financial information.
- (a)(3) Exhibits: See Exhibit Index on pages 65 through 69.
- (b) Exhibits: See Exhibit Index on pages 65 through 69.
- (c) Financial Statement Schedules: Schedules have been omitted because they are not required or are not applicable.

SIGNATURES

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

WILLIAMS-SONOMA, INC.

Date: March 30, 2017

By /s/ LAURA J. ALBER
Chief Executive Officer

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

Date: March 30, 2017 /s/ ADRIAN D.P. BELLAMY
Adrian D.P. Bellamy
Chairman of the Board of Directors

Date: March 30, 2017 /s/ LAURA J. ALBER
Laura J. Alber
Chief Executive Officer
(principal executive officer)

Date: March 30, 2017 /s/ JULIE P. WHALEN
Julie P. Whalen
Chief Financial Officer
(principal financial officer and principal accounting officer)

Date: March 30, 2017 /s/ ROSE MARIE BRAVO
Rose Marie Bravo
Director

Date: March 30, 2017 /s/ ADRIAN T. DILLON
Adrian T. Dillon
Director

Date: March 30, 2017 /s/ ANTHONY A. GREENER
Anthony A. Greener
Director

Date: March 30, 2017 /s/ TED W. HALL
Ted W. Hall
Director

Date: March 30, 2017 /s/ SABRINA SIMMONS
Sabrina Simmons
Director

Date: March 30, 2017 /s/ JERRY D. STRITZKE
Jerry D. Stritzke
Director

Date: March 30, 2017 _____
Lorraine Twohill
Director

**EXHIBIT INDEX TO ANNUAL REPORT ON FORM 10-K
FOR THE
FISCAL YEAR ENDED JANUARY 29, 2017**

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
CERTIFICATE OF INCORPORATION AND BYLAWS	
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K as filed with the Commission on May 25, 2011, File No. 001-14077)
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K as filed with the Commission on February 2, 2016, File No. 001-14077)
INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES	
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the Commission on May 25, 2011, File No. 001-14077)
FINANCING AGREEMENTS	
10.1	Sixth Amended and Restated Credit Agreement, dated November 19, 2014, between the Company and Bank of America, N.A., as administrative agent, letter of credit issuer and swingline lender, Wells Fargo Bank, National Association, as syndication agent, JPMorgan Chase Bank, N.A., MUFG Union Bank, NA and U.S. Bank, National Association, as co-documentation agents, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2015 as filed with the Commission on April 2, 2015, File No. 001-14077)
10.2	Reimbursement Agreement between the Company, Williams-Sonoma Singapore Pte. Ltd. and Bank of America, N.A., dated as of August 30, 2013 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended November 3, 2013 as filed with the Commission on December 12, 2013, File No. 001-14077)
10.3	First Amendment to Reimbursement Agreement between the Company, Williams-Sonoma Singapore Pte. Ltd. and Bank of America, N.A., dated as of August 29, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended November 2, 2014 as filed with the Commission on December 5, 2014, File No. 001-14077)
10.4	Second Amendment to Reimbursement Agreement between the Company, Williams-Sonoma Singapore Pte. Ltd. and Bank of America, N.A., dated as of August 28, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended November 1, 2015 as filed with the Commission on December 11, 2015, File No. 001-14077)
10.5	Third Amendment to Reimbursement Agreement between the Company, Williams-Sonoma Singapore Pte. Ltd., and Bank of America, N.A., dated as of August 26, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended October 30, 2016 as filed with the Commission on December 7, 2016, File No. 001-14077)

EXHIBIT NUMBER**EXHIBIT DESCRIPTION**

- 10.6 Reimbursement Agreement between the Company, Williams-Sonoma Singapore Pte. Ltd. and Wells Fargo Bank, N.A., dated as of August 30, 2013 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended November 3, 2013 as filed with the Commission on December 12, 2013, File No. 001-14077)
- 10.7 First Amendment to Reimbursement Agreement between the Company, Williams-Sonoma Singapore Pte. Ltd. and Wells Fargo Bank, N.A., dated as of August 29, 2014 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended November 2, 2014 as filed with the Commission on December 5, 2014, File No. 001-14077)
- 10.8 Second Amendment to Reimbursement Agreement between the Company, Williams-Sonoma Singapore Pte. Ltd. and Wells Fargo Bank, N.A., dated as of August 28, 2015 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended November 1, 2015 as filed with the Commission on December 11, 2015, File No. 001-14077)
- 10.9 Third Amendment to Reimbursement Agreement between the Company, Williams-Sonoma Singapore Pte. Ltd., and Wells Fargo Bank, N.A., dated as of August 26, 2016 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended October 30, 2016 as filed with the Commission on December 7, 2016, File No. 001-14077)
- 10.10 Reimbursement Agreement between the Company, Williams-Sonoma Singapore Pte. Ltd. and U.S. Bank National Association, dated as of August 30, 2013 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 3, 2013 as filed with the Commission on December 12, 2013, File No. 001-14077)
- 10.11 First Amendment to Reimbursement Agreement between the Company, Williams-Sonoma Singapore Pte. Ltd. and U.S. Bank National Association, dated as of August 29, 2014 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 2, 2014 as filed with the Commission on December 5, 2014, File No. 001-14077)
- 10.12 Second Amendment to Reimbursement Agreement between the Company, Williams-Sonoma Singapore Pte. Ltd. and U.S. Bank National Association, dated as of August 28, 2015 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended November 1, 2015 as filed with the Commission on December 11, 2015, File No. 001-14077)
- 10.13 Third Amendment to Reimbursement Agreement between the Company, Williams-Sonoma Singapore Pte. Ltd., and U.S. Bank National Association, dated as of August 26, 2016 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended October 30, 2016 as filed with the Commission on December 7, 2016, File No. 001-14077)

STOCK PLANS

- 10.14+ Williams-Sonoma, Inc. 2000 Nonqualified Stock Option Plan (incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8 as filed with the Commission on October 27, 2000, File No. 333-48750)

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
10.15+	Williams-Sonoma, Inc. 2001 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit D to the Company's definitive proxy statement on Schedule A as filed on April 7, 2011, File No. 001-14077)
10.16+	Forms of Notice of Grant and Stock Option Agreement under the Company's 2000 Nonqualified Stock Option Plan and 2001 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended October 31, 2004 as filed with the Commission on December 10, 2004, File No. 001-14077)
10.17+	Form of Williams-Sonoma, Inc. 2001 Long-Term Incentive Plan Stock-Settled Stock Appreciation Right Award Agreement for Director Grants (incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2008 as filed with the Commission on April 3, 2008, File No. 001-14077)
10.18+	Form of Williams-Sonoma, Inc. 2001 Long-Term Incentive Plan Stock-Settled Stock Appreciation Right Award Agreement for Employee Grants (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on March 22, 2010, File No. 001-14077)
10.19+	Williams-Sonoma, Inc. 2001 Long-Term Incentive Plan Stock-Settled Stock Appreciation Right Award Agreement for CEO Grant (incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2009 as filed with the Commission on April 2, 2009, File No. 001-14077)
10.20+	Form of Williams-Sonoma, Inc. 2001 Long-Term Incentive Plan Restricted Stock Unit Award Agreement for Grants to Non-Employee Directors (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended May 4, 2014 as filed with the Commission on June 12, 2014, File No. 001-14077)
10.21+	Form of Williams-Sonoma, Inc. 2001 Long-Term Incentive Plan Restricted Stock Unit Award Agreement for Grants to Employees (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended May 4, 2014 as filed with the Commission on June 12, 2014, File No. 001-14077)
10.22+	Form of Williams-Sonoma, Inc. 2001 Long Term Incentive Plan Performance Stock Unit Award Agreement for Grants to Employees (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2014 as filed with the Commission on April 3, 2014, File No. 001-14077)
OTHER INCENTIVE PLANS	
10.23+	Williams-Sonoma, Inc. 2001 Incentive Bonus Plan, as amended (incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A as filed with the Commission on April 6, 2012, File No. 001-14077)
10.24+	Williams-Sonoma, Inc. Pre-2005 Executive Deferral Plan (incorporated by reference to Exhibit 10.40 to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2009 as filed with the Commission on April 2, 2009, File No. 001-14077)

EXHIBIT NUMBER**EXHIBIT DESCRIPTION**

- | | |
|--------|---|
| 10.25+ | Williams-Sonoma, Inc. Amended and Restated Executive Deferred Compensation Plan (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2015 as filed with the Commission on April 2, 2015, File No. 001-14077) |
| 10.26+ | Williams-Sonoma, Inc. 401(k) Plan, as amended and restated effective January 1, 2016 (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2016 as filed with the Commission on March 31, 2016, File No. 001-14077) |

PROPERTIES

- | | |
|-------|--|
| 10.27 | Memorandum of Understanding between the Company and the State of Mississippi, Mississippi Business Finance Corporation, Desoto County, Mississippi, the City of Olive Branch, Mississippi and Hewson Properties, Inc., dated August 24, 1998 (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the period ended August 2, 1998 as filed with the Commission on September 14, 1998, File No. 001-14077) |
| 10.28 | Olive Branch Distribution Facility Lease, dated December 1, 1998, between the Company as lessee and WSDC, LLC (the successor-in-interest to Hewson/Desoto Phase I, L.L.C.) as lessor (incorporated by reference to Exhibit 10.3D to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1999 as filed with the Commission on April 30, 1999, File No. 001-14077) |
| 10.29 | First Amendment, dated September 1, 1999, to the Olive Branch Distribution Facility Lease between the Company as lessee and WSDC, LLC (the successor-in-interest to Hewson/Desoto Phase I, L.L.C.) as lessor, dated December 1, 1998 (incorporated by reference to Exhibit 10.3B to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2000 as filed with the Commission on May 1, 2000, File No. 001-14077) |
| 10.30 | Lease for an additional Company distribution facility located in Olive Branch, Mississippi between Williams-Sonoma Retail Services, Inc. as lessee and SPI WS II, LLC (the successor-in-interest to Hewson/Desoto Partners, L.L.C.) as lessor, dated November 15, 1999 (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2000 as filed with the Commission on May 1, 2000, File No. 001-14077) |

EMPLOYMENT AGREEMENTS

- | | |
|--------|--|
| 10.31+ | Amended and Restated Employment Agreement with Laura Alber, dated September 6, 2012 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended October 28, 2012 as filed with the Commission December 7, 2012, File No. 001-14077) |
| 10.32+ | Amended and Restated Management Retention Agreement with Laura Alber, dated September 6, 2012 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the period ended October 28, 2012 as filed with the Commission December 7, 2012, File No. 001-14077) |

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
10.33+	Amended and Restated 2012 EVP Level Management Retention Plan (incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2016 as filed with the Commission on March 31, 2016, File No. 001-14077)
OTHER AGREEMENTS	
10.34+	Form of Williams-Sonoma, Inc. Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 2011 as filed with the Commission on September 9, 2011, File No. 001-14077)
OTHER EXHIBITS	
21.1*	Subsidiaries
23.1*	Consent of Independent Registered Public Accounting Firm
CERTIFICATIONS	
31.1*	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
31.2*	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
32.1*	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
XBRL	
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

+ Indicates a management contract or compensatory plan or arrangement.

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NOTICE OF
2017 ANNUAL
MEETING OF
STOCKHOLDERS
—
PROXY
STATEMENT

2016 ANNUAL REPORT

WILLIAMS-SONOMA, INC.

POTTERY BARN POTTERY BARN KIDS PBTEEN WILLIAMS SONOMA WILLIAMS SONOMA HOME WEST ELM MARK AND GRAHAM REJUVENATION

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WILLIAMS-SONOMA, INC.

3250 Van Ness Avenue
San Francisco, California 94109
www.williams-sonomainc.com

NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS

- MEETING DATE: May 31, 2017
- TIME: 9:00 a.m. Pacific Time
- PLACE: Williams-Sonoma, Inc.
3250 Van Ness Avenue
San Francisco, California 94109
- ITEMS OF BUSINESS:
- 1) The election of our Board of Directors;
 - 2) An advisory vote on executive compensation;
 - 3) An advisory vote on the frequency of holding an advisory vote to approve executive compensation;
 - 4) The ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending January 28, 2018;
 - 5) The amendment and restatement of the company's bylaws to provide for proxy access;
 - 6) Consideration of a stockholder proposal regarding proxy access, if properly presented at the meeting; and
 - 7) Such other business as may properly come before the meeting or any adjournment or postponement of the meeting.
- RECORD DATE: You may vote if you were a stockholder of record as of the close of business on April 3, 2017.
- MEETING ADMISSION: You are entitled to attend the Annual Meeting only if you were a stockholder of record as of the close of business on April 3, 2017. **Photo identification and proof of ownership on the record date is required for admittance.** Proof of ownership can be a brokerage or account statement indicating ownership on April 3, 2017, the Notice of Internet Availability of Proxy Materials, a proxy card, or a legal proxy or voting instruction card provided by your broker, bank or nominee.

By Order of the Board of Directors

David King
Secretary
April 19, 2017

YOUR VOTE IS IMPORTANT

Instructions for submitting your proxy are provided in the Notice of Internet Availability of Proxy Materials, the Proxy Statement and your proxy card. It is important that your shares be represented and voted at the Annual Meeting. Please submit your proxy through the Internet, by telephone, or by completing the enclosed proxy card and returning it in the enclosed envelope. You may revoke your proxy at any time prior to its exercise at the Annual Meeting.

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TABLE OF CONTENTS

	<u>Page</u>
GENERAL INFORMATION	1
CORPORATE GOVERNANCE	7
PROPOSAL 1—ELECTION OF DIRECTORS	15
PROPOSAL 2—ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION	21
PROPOSAL 3—ADVISORY VOTE ON THE FREQUENCY OF AN ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION	23
PROPOSAL 4—RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	24
PROPOSAL 5—AMENDMENT AND RESTATEMENT OF BYLAWS TO PROVIDE FOR PROXY ACCESS	26
PROPOSAL 6—STOCKHOLDER PROPOSAL	28
AUDIT AND FINANCE COMMITTEE REPORT	33
INFORMATION CONCERNING EXECUTIVE OFFICERS	35
EXECUTIVE COMPENSATION	36
Compensation Discussion and Analysis	36
Compensation Committee Report	50
Summary Compensation Table for Fiscal 2016, Fiscal 2015 and Fiscal 2014	51
Other Annual Compensation from Summary Compensation Table	52
Grants of Plan-Based Awards	53
Outstanding Equity Awards at Fiscal Year-End	54
Option Exercises and Stock Vested	56
Pension Benefits	57
Nonqualified Deferred Compensation	57
Employment Contracts and Termination of Employment and Change-of-Control Arrangements	57
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	63
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE	64
SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT	65
EQUITY COMPENSATION PLAN INFORMATION	67
STOCKHOLDER PROPOSALS	68
AVAILABILITY OF PROXY STATEMENT AND ANNUAL REPORT ON FORM 10-K	69
EXHIBIT A—AMENDED AND RESTATED BYLAWS	A-1

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WILLIAMS-SONOMA, INC.

3250 Van Ness Avenue
San Francisco, California 94109
www.williams-sonomainc.com

PROXY STATEMENT FOR THE 2017 ANNUAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION

Our Board of Directors is soliciting your proxy to vote your shares at our 2017 Annual Meeting of Stockholders, to be held on Wednesday, May 31, 2017 at 9:00 a.m. Pacific Time, and for any adjournment or postponement of the meeting. Our Annual Meeting will be held at our corporate headquarters located at 3250 Van Ness Avenue, San Francisco, California 94109.

Our Annual Report to Stockholders for the fiscal year ended January 29, 2017, or fiscal 2016, including our financial statements for fiscal 2016, is also included with this Proxy Statement and posted on our website at ir.williams-sonomainc.com/financial-reports-page. The Annual Report, Notice of Internet Availability of Proxy Materials, and the Proxy Statement were first made available to stockholders and posted on our website on or about April 19, 2017.

What is the purpose of the Annual Meeting?

Stockholders will be asked to vote on the following matters:

- 1) The election of our Board of Directors;
- 2) An advisory vote to approve executive compensation;
- 3) An advisory vote on the frequency of holding an advisory vote to approve executive compensation;
- 4) The ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending January 28, 2018;
- 5) The amendment and restatement of the company's bylaws to provide for proxy access;
- 6) Consideration of a stockholder proposal regarding proxy access, if properly presented at the meeting; and
- 7) Such other business as may properly come before the meeting or any adjournment or postponement of the meeting, including stockholder proposals. At this time, we do not know of any other matters to be brought before the Annual Meeting.

What is the Notice of Internet Availability of Proxy Materials?

In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission, or the SEC, instead of mailing a printed copy of our proxy materials to all stockholders entitled to vote at the Annual Meeting, we are furnishing the proxy materials to certain of our stockholders over the Internet. If you received a Notice of Internet Availability of Proxy Materials, or the Notice, by mail, you will not receive a printed copy of the proxy materials. Instead, the Notice will instruct you as to how you may access and review the proxy materials and submit your vote on the Internet or by telephone. If you received a Notice by mail and would like to receive a printed copy of the proxy materials, please follow the instructions for requesting such materials included in the Notice.

On the date of mailing of the Notice, all stockholders will have the ability to access all of our proxy materials on a website referred to in the Notice. These proxy materials will be available free of charge.

Can I receive future proxy materials by e-mail?

Yes. You may choose to receive future proxy materials by e-mail by following the instructions provided on the website referred to in the Notice. Choosing to receive your future proxy materials by e-mail will save us the cost of printing and mailing documents to you and will reduce the impact of our Annual Meeting on the environment.

If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by e-mail will remain in effect until you terminate it.

Who may vote?

Only stockholders of record at the close of business on April 3, 2017, the record date, are entitled to receive notice of and to vote at the Annual Meeting. Each holder of our common stock will be entitled to one vote for each share of our common stock owned as of the record date. As of the record date, there were 86,805,366 shares of our common stock outstanding and entitled to vote, and there were 354 stockholders of record, which number does not include beneficial owners of shares held in the name of a bank or brokerage firm. We do not have any outstanding shares of preferred stock.

How do I vote?

You may vote in person at the Annual Meeting, electronically by submitting your proxy through the Internet, by telephone or by returning a hard copy of the proxy card before the Annual Meeting. Proxies properly executed, returned to us on a timely basis and not revoked will be voted in accordance with the instructions contained in the proxy. If any matter not described in this Proxy Statement is properly presented for action at the meeting, the persons named in the enclosed proxy will have discretionary authority to vote according to their best judgment.

How do I vote electronically or by telephone?

You may vote by submitting your proxy through the Internet or by telephone. The Internet and telephone voting procedures are designed to authenticate your identity as a Williams-Sonoma, Inc. stockholder, to allow you to vote your shares and to confirm that your instructions have been properly recorded. Specific instructions to be followed for voting on the Internet or by telephone are provided below in this Proxy Statement, in the Notice and on the proxy card.

Shares Registered Directly in the Name of the Stockholder

If your shares are registered directly in your name in our stock records maintained by our transfer agent, Wells Fargo Shareowner Services, then you may vote your shares:

- on the Internet at www.proxypush.com/wsm; or
- by calling Wells Fargo Shareowner Services from within the United States at 866-883-3382.

Proxies for shares registered directly in your name that are submitted on the Internet or by telephone must be received before noon Pacific Time on Wednesday, May 30, 2017.

Shares Registered in the Name of a Brokerage Firm or Bank

If your shares are held in an account at a brokerage firm or bank, you should follow the voting instructions on the Notice or the proxy card provided by your brokerage firm or bank.

Can I vote my shares by filling out and returning the Notice?

No. The Notice identifies the items to be voted on at the Annual Meeting, but you cannot vote by marking the Notice and returning it. The Notice provides instructions on how to vote on the Internet or by telephone and how to request paper copies of the proxy materials.

What if I return my proxy card directly to the company, but do not provide voting instructions?

If a signed proxy card is returned to us without any indication of how your shares should be voted, votes will be cast “FOR” the election of the directors named in this Proxy Statement, “FOR” the approval, on an advisory basis, of the compensation of our Named Executive Officers, “FOR” the option of once every “one year” as the frequency with which stockholders are provided an advisory vote to approve executive compensation, “FOR” the ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending January 28, 2018, “FOR” the amendment and restatement of our bylaws to provide for proxy access, and “AGAINST” the stockholder proposal.

May I attend the Annual Meeting?

Only stockholders of record at the close of business on April 3, 2017, the record date, are entitled to attend the Annual Meeting. Stockholders planning to attend the Annual Meeting must present photo identification and proof of ownership on the record date in order to be admitted. Proof of ownership can be a brokerage or account statement indicating ownership on April 3, 2017, the Notice of Internet Availability of Proxy Materials, a proxy card, or a legal proxy or voting instruction card provided by your broker, bank or nominee. We reserve the right to deny admittance to anyone who cannot adequately show proof of share ownership as of the record date.

What are the directions to attend the Annual Meeting?

The following are directions to attend the Annual Meeting from various locations around the San Francisco Bay Area:

From the South Bay

Take US-101 Northbound toward San Francisco
Take the US-101 exit on the left
Keep left at the fork to continue on US-101 North
Take exit 434A to merge onto Mission Street/US-101
Turn left at US-101/South Van Ness Avenue
Continue North on Van Ness Avenue
Destination will be on the right

From the East Bay

Take I-80 Westbound across the Bay Bridge toward San Francisco
Take exit 1B to merge onto US-101 North
Take exit 434A to merge onto Mission Street/US-101
Turn left at US-101/South Van Ness Avenue
Continue North on Van Ness Avenue
Destination will be on the right

From the North Bay

Take US-101 Southbound across the Golden Gate Bridge toward San Francisco
Exit onto Richardson Avenue/US-101 toward Lombard Street
Continue to follow US-101
Turn left at US-101/Van Ness Avenue
Continue North on Van Ness Avenue
Destination will be on the right

How many shares must be present to transact business at the Annual Meeting?

Stockholders holding a majority of our outstanding shares as of the record date must be present in person or by proxy at the Annual Meeting so that we may transact business. This is known as a quorum. Shares that are voted in person, on the Internet, by telephone or by signed proxy card, and abstentions and broker non-votes, will be included in the calculation of the number of shares considered to be present for purposes of determining whether there is a quorum at the Annual Meeting.

What is a broker non-vote?

The term broker non-vote refers to shares that are held of record by a broker for the benefit of the broker's clients but that are not voted at the Annual Meeting by the broker on certain non-routine matters set forth in New York Stock Exchange, or NYSE, Rule 402.08(B) because the broker did not receive instructions from the broker's clients on how to vote the shares and, therefore, was prohibited from voting the shares.

How many votes are needed to elect directors?

Pursuant to a majority voting bylaw adopted by our Board of Directors and further described in our Amended and Restated Bylaws, the election of each of the nine director nominees requires the affirmative vote of a majority of the votes cast at the Annual Meeting with respect to each nominee. The number of shares voted "for" a director nominee must exceed the number of votes cast "against" that nominee for the nominee to be elected as a director to serve until the next annual meeting or until his or her successor has been duly elected and qualified. Your proxy will be voted in accordance with your instructions. If no instructions are given, the proxy holders will vote "FOR" each of the director nominees. If you hold your shares through a brokerage, bank or other nominee, or in "street name," it is important to cast your vote if you want it to count in the election of directors. If you hold your shares in street name and you do not instruct your bank or broker how to vote your shares in the election of directors, no votes will be cast on your behalf. Broker non-votes and abstentions will have no effect on the outcome of the election.

Pursuant to the resignation policy adopted by our Board of Directors and further described in our Corporate Governance Guidelines, any nominee for director who is not elected shall promptly tender his or her resignation to our Board of Directors following certification of the stockholder vote. The Nominations and Corporate Governance Committee will consider the resignation offer and recommend to our Board of Directors the action to be taken with respect to the offered resignation. In determining its recommendation, the Nominations and Corporate Governance Committee shall consider all factors it deems relevant. Our Board of Directors will act on the Nominations and Corporate Governance Committee's recommendation within 90 days following certification of the stockholder vote and will publicly disclose its decision with respect to the director's resignation offer (and the reasons for rejecting the resignation offer, if applicable).

Any director who tenders his or her resignation pursuant to the resignation policy shall not participate in the Nominations and Corporate Governance Committee's recommendation or Board of Directors action regarding whether to accept the resignation offer. If each member of the Nominations and Corporate Governance Committee is required to tender his or her resignation pursuant to the resignation policy in the same election, then the independent directors of our Board of Directors who are not required to tender a resignation pursuant to the resignation policy shall consider the resignation offers and make a recommendation to our Board of Directors.

To the extent that one or more directors' resignations are accepted by our Board of Directors, our Board of Directors in its discretion may determine either to fill such vacancy or vacancies or to reduce the size of the Board within the authorized range.

How many votes are needed to approve Proposals 2, 3, 4, 5 and 6?

Proposals 2, 4, 5 and 6 require the affirmative vote of holders of a majority of voting power entitled to vote thereon, present in person or represented by proxy, at the Annual Meeting. Proxy cards marked “abstain” will have the effect of a “NO” vote and broker non-votes will have no effect on the outcome of the vote.

The outcome of Proposal 2, the advisory vote on the approval of the compensation of our Named Executive Officers, will not be binding on us or the Board. However, the Board and the Compensation Committee will review the voting results and take them into consideration when making future decisions regarding executive compensation.

For Proposal 3, the frequency of the advisory vote to approve compensation of our named executive officers – every year, every two years or every three years – receiving the highest number of votes at the Annual Meeting will be the frequency recommended by the stockholders. Proxy cards marked “abstain” and broker non-votes will have no effect on the outcome of the vote. Because your vote is advisory, it will not be binding on us or the Board. However, the Board will review the voting results and take them into consideration when making future decisions regarding the frequency of the advisory vote on executive compensation.

Are there any stockholder proposals this year?

Yes. We received notice of a stockholder proposal requesting inclusion in our Proxy Statement for the Annual Meeting. Please review Proposal 6 for further information about this proposal.

We have not received notice of any stockholder proposals to be raised at the Annual Meeting that did not request inclusion in our Proxy Statement.

What if I want to change my vote(s)?

You may revoke your proxy prior to the close of voting at the Annual Meeting by any of the following methods:

- sending written notice of revocation to our Secretary;
- sending a signed proxy card bearing a later date;
- voting by telephone or on the Internet at a later date; or
- attending the Annual Meeting, revoking your proxy and voting in person.

What is householding?

Householding is a cost-cutting procedure used by us and approved by the SEC to limit duplicate copies of our proxy materials being printed and delivered to stockholders sharing a household. Under the householding procedure, we send only one Notice or Annual Report and Proxy Statement to stockholders of record who share the same address and last name, unless one of those stockholders notifies us that the stockholder would like a separate Notice or Annual Report and Proxy Statement. A separate proxy card is included in the materials for each stockholder of record. A stockholder may notify us that the stockholder would like a separate Notice or Annual Report and Proxy Statement by phone at 415-421-7900 or by mail at the following mailing address: Williams-Sonoma, Inc., Attention: Annual Report Administrator, 3250 Van Ness Avenue, San Francisco, California 94109. If we receive such notification that the stockholder wishes to receive a separate Notice or Annual Report and Proxy Statement, we will promptly deliver such Notice or Annual Report and Proxy Statement. If you wish to update your participation in householding, you may contact your broker or our mailing agent, Broadridge Investor Communications Solutions, at 800-542-1061.

What if I received more than one proxy card?

If you received more than one proxy card, it means that you have multiple accounts with brokers and/or our transfer agent. You must complete each proxy card in order to ensure that all shares beneficially held by you are represented at the meeting. If you are interested in consolidating your accounts, you may contact your broker or our transfer agent, Wells Fargo Shareowner Services, at 800-468-9716.

Who pays the expenses incurred in connection with the solicitation of proxies?

We pay all of the expenses incurred in preparing, assembling and mailing the Notice or this Proxy Statement and the materials enclosed. We have retained Skinner & Company and MacKenzie Partners, Inc. to assist in the solicitation of proxies at an estimated cost to us of \$5,000 and \$12,000, respectively. Some of our officers or employees may solicit proxies personally or by telephone or other means. None of those officers or employees will receive special compensation for such services.

CORPORATE GOVERNANCE

Director Independence

Our Board of Directors has determined that Adrian D.P. Bellamy, Rose Marie Bravo, Anthony A. Greener, Grace Puma, Christiana Smith Shi, Sabrina Simmons, Jerry D. Stritzke and Frits D. van Paasschen meet the independence requirements of our “Policy Regarding Director Independence Determinations”, which is part of our Corporate Governance Guidelines. Accordingly, the Board has determined that none of these director nominees has a material relationship with us and that each of these nominees is independent within the meaning of the NYSE and SEC director independence standards, as currently in effect. Further, each member of our Board committees satisfies the independence requirements of the NYSE and SEC, and any heightened independence standards applicable to each committee on which they serve. The Board’s independence determination was based on information provided by our director nominees and discussions among our officers and directors.

Board Leadership Structure

We currently separate the positions of Chief Executive Officer and Chairman of the Board. Adrian D.P. Bellamy, an independent director, has served as our Chairman of the Board since May 2010. Our Corporate Governance Guidelines provide that in the event that the Chairman of the Board is not an independent director, the Board shall elect a Lead Independent Director. As Mr. Bellamy is an independent director, we have not appointed a separate Lead Independent Director.

Separating the positions of Chief Executive Officer and Chairman of the Board maximizes the Board’s independence and aligns our leadership structure with current trends in corporate governance best practices. Our Chief Executive Officer is responsible for day-to-day leadership and for setting the strategic direction of the company, while the Chairman of the Board provides independent oversight and advice to our management team, and presides over Board meetings.

Board Meetings and Executive Sessions

During fiscal 2016, our Board held a total of seven meetings. Each director who was a member of our Board during fiscal 2016 attended at least 75% of the aggregate of (i) the total number of meetings of the Board held during the period for which such director served as a director and (ii) the total number of meetings held by all committees of the Board on which such director served during the periods that such director served, except for Lorraine Twohill.

It is the Board’s policy to have a separate meeting time for independent directors, typically during the regularly scheduled Board meetings. During fiscal 2016, executive sessions were led by our Chairman of the Board, Mr. Bellamy.

Attendance of Directors at Annual Meeting of Stockholders

It is our policy that directors who are nominated for election at our Annual Meeting should attend the Annual Meeting. All but one director who was nominated for election at our 2016 Annual Meeting attended the meeting.

Board Committees

Our Board has three standing committees: the Audit and Finance Committee, the Compensation Committee and the Nominations and Corporate Governance Committee. Each committee operates under a written charter adopted by the Board. The committee charters are each available on the company’s website at ir.williams-sonomai.com/governance and are also available in print to any stockholder upon request.

The following table sets forth the members of each committee as of April 3, 2017, the functions of each committee, and the number of meetings held during fiscal 2016.

<u>Committee and Members</u>	<u>Functions of Committee</u>	<u>Number of Meetings in Fiscal 2016</u>
Audit and Finance: Adrian T. Dillon, Chair Ted W. Hall Sabrina Simmons	<ul style="list-style-type: none"> • Assists our Board in its oversight of the integrity of our financial statements; the qualifications, independence, retention and compensation of our independent registered public accounting firm; the performance of our internal audit function; and our compliance with legal and regulatory requirements; • Prepares the report that the SEC rules require to be included in our annual proxy statement; • Reviews the financial impact of selected strategic initiatives, and reviews and recommends for Board approval selected financing, dividend and stock repurchase policies and plans; and • Assists the Board with its oversight of our major financial risk exposures, and reviews with management such exposures and the steps management has taken to monitor and control such exposures. 	9
Compensation: Adrian D.P. Bellamy, Chair Rose Marie Bravo Anthony A. Greener Lorraine Twohill	<ul style="list-style-type: none"> • Reviews and determines our executive officers' compensation; • Reviews and determines our general compensation goals and guidelines for our employees; • Administers certain of our compensation plans and provides assistance and recommendations with respect to other compensation plans; • Reviews the compensation discussion and analysis report that the SEC rules require to be included in our annual proxy statement; • Assists the Board with its oversight of risk arising from our compensation policies and programs, and assesses on an annual basis potential material risk from our compensation policies and programs; and • Appoints, sets the compensation of, and determines independence of any compensation consultant or other advisor retained. 	6
Nominations and Corporate Governance: Lorraine Twohill, Chair Adrian D.P. Bellamy Anthony A. Greener	<ul style="list-style-type: none"> • Reviews and recommends corporate governance policies; • Identifies and makes recommendations for nominees for director and considers criteria for selecting director candidates; • Considers stockholders' director nominations and proposals; • Reviews and determines our compensation policy for our non-employee directors; • Considers resignation offers of director nominees and recommends to the Board the action to be taken with respect to each such offered resignation; and • Oversees the evaluation of our Board and our senior management team. 	2

Audit and Finance Committee

The Board has determined that each member of the Audit and Finance Committee is independent under the NYSE rules, as currently in effect, and Rule 10A-3 of the Securities Exchange Act of 1934, as amended. The Board has determined that Ms. Simmons is a “financial expert” under the SEC rules. The Board has also determined that each Audit and Finance Committee member is “financially literate,” as described in the NYSE rules.

Compensation Committee

The Board has determined that each member of the Compensation Committee is independent under the NYSE rules, as currently in effect, is an outside director as such term is defined with respect to Section 162(m) of the Internal Revenue Code and is a non-employee director under Section 16(b) of the Securities Exchange Act of 1934. None of the Compensation Committee members have ever served as an officer of the Company.

Compensation Committee Interlocks and Insider Participation

Mr. Bellamy, Ms. Bravo, Mr. Greener and Ms. Twohill served as members of the Compensation Committee during fiscal 2016. During fiscal 2016, none of our executive officers served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board or Compensation Committee.

Nominations and Corporate Governance Committee

The Board has determined that each member of the Nominations and Corporate Governance Committee is independent under the NYSE rules currently in effect. Each member of the Nominations and Corporate Governance Committee is a non-employee director.

During fiscal 2016, in furtherance of the Nominations and Corporate Governance Committee’s functions, the Committee took the following actions, among other things:

- Evaluated the composition of the Board, and considered desired skill sets, qualities and experience for potential future Board members, as well as potential candidates;
- Evaluated the composition of the committees of the Board;
- Considered and recommended to the Board the submission to stockholders of the director nominees described in the company’s 2016 Proxy Statement; and
- Managed the annual Board self-assessment process.

Director Nominations

The Nomination and Corporate Governance Committee’s criteria and process for evaluating and identifying the candidates that it selects, or recommends to the Board for selection, as director nominees are as follows:

- The Nominations and Corporate Governance Committee periodically reviews the current composition and size of the Board;
- The Nominations and Corporate Governance Committee manages the annual self-assessment of the Board as a whole and considers the performance and qualifications of individual members of the Board when recommending individuals for election or re-election to the Board;
- The Nominations and Corporate Governance Committee reviews the qualifications of any candidates who have been properly recommended by stockholders, as well as those candidates who have been identified by management, individual members of the Board or, if it deems appropriate, a search firm. Such review may, in the Nominations and Corporate Governance Committee’s discretion, include a review solely of

information provided to it or also may include discussions with persons familiar with the candidate, an interview with the candidate or other actions that the Nominations and Corporate Governance Committee deems appropriate;

- In evaluating the qualifications of candidates for the Board, the Nominations and Corporate Governance Committee considers many factors, including issues of character, judgment, independence, financial expertise, industry experience, range of experience, and other commitments. The Nominations and Corporate Governance Committee values diversity, but does not assign any particular weight or priority to any particular factor. The Nominations and Corporate Governance Committee considers each individual candidate in the context of the current perceived needs of the Board as a whole. While the Nominations and Corporate Governance Committee has not established specific minimum qualifications for director candidates, it believes that candidates and nominees must be suitable for a Board that is composed of directors (i) a majority of whom are independent; (ii) who are of high integrity; (iii) who have qualifications that will increase the overall effectiveness of the Board; and (iv) who meet the requirements of all applicable rules, such as financial literacy or financial expertise with respect to Audit and Finance Committee members;
- In evaluating and identifying candidates, the Nominations and Corporate Governance Committee has the sole authority to retain and terminate any third party search firm that is used to identify director candidates and the sole authority to approve the fees and retention terms of any search firm;
- After such review and consideration, the Nominations and Corporate Governance Committee recommends to the Board the slate of director nominees; and
- The Nominations and Corporate Governance Committee endeavors to notify, or cause to be notified, all director candidates of the decision as to whether to nominate individuals for election to the Board.

There are no differences in the manner in which the Nominations and Corporate Governance Committee evaluates nominees for director based on whether the nominee is recommended by a stockholder, management or a search firm.

Stockholder Recommendations

The Nominations and Corporate Governance Committee will consider recommendations from stockholders regarding possible director candidates for election at next year's Annual Meeting. Pursuant to our Stockholder Recommendations Policy, the Nominations and Corporate Governance Committee considers recommendations for candidates to the Board from stockholders holding no fewer than 500 shares of the company's common stock continuously for at least six months prior to the date of the submission of the recommendation.

A stockholder that desires to recommend a candidate for election to the Board shall direct the recommendation in writing to Williams-Sonoma, Inc., Attention: Corporate Secretary, 3250 Van Ness Avenue, San Francisco, California 94109. The recommendation must include: (i) the candidate's name, home and business contact information; (ii) detailed biographical data and qualifications of the candidate; (iii) information regarding any relationships between the candidate and the company within the last three years; (iv) evidence of the recommending person's ownership of company common stock; (v) a statement from the recommending stockholder in support of the candidate; and (vi) a written indication by the candidate of his or her willingness to serve if elected. A stockholder that desires to recommend a person directly for election to the Board at the company's Annual Meeting must also meet the deadlines and other requirements set forth in Rule 14a-8 of the Securities Exchange Act of 1934 and the company's Restated Bylaws, each of which are described in the "Stockholder Proposals" section of this Proxy Statement.

Director nominees Grace Puma and Frits D. van Paasschen were recommended for consideration by the company's human resources department, which led a search for qualified director candidates. Director nominee Christiana Smith Shi was recommended for consideration by Adrian D.P. Bellamy, the Chairman of the Board, and Ted W. Hall, a member of the Board of Directors. Each director nominated in this Proxy Statement was

recommended for election to the Board by the Nominations and Corporate Governance Committee. The Board did not receive any director nominee recommendation from any stockholder in connection with this Proxy Statement.

Risk Oversight

Board Oversight of Risk

The Board actively manages the company's risk oversight process and receives regular reports from management on areas of material risk to the company, including operational, financial, legal and regulatory risks. Our Board committees assist the Board in fulfilling its oversight responsibilities in certain areas of risk. The Audit and Finance Committee assists the Board with its oversight of the company's major financial risk exposures. Additionally, in accordance with NYSE requirements, the Audit and Finance Committee reviews with management the company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the company's risk assessment and risk management policies. The Compensation Committee assists the Board with its oversight of risks arising from our compensation policies and programs and assesses on an annual basis potential material risk to the company from its compensation policies and programs, including incentive and commission plans at all levels. The Nominations and Corporate Governance Committee assists the Board with its oversight of risks associated with Board organization, Board independence, succession planning, and corporate governance. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about such risks.

Evaluation of Risks Relating to Compensation Programs

Our Compensation Committee is responsible for monitoring our compensation policies and programs relative to all our employees, including non-executive officers, for potential risks that are reasonably likely to have a material adverse effect on our company. In performing its duties, the Compensation Committee regularly reviews and discusses potential risks that could arise from our employee compensation plans and programs with our management and the Compensation Committee's independent compensation consultant. The Compensation Committee is responsible for reporting to the Board any material risks associated with our compensation plans and programs, including recommended actions to mitigate such risks.

For fiscal 2016, the Compensation Committee retained an independent consultant, Frederic W. Cook & Co., or Cook & Co., to identify and assess the risks inherent in the company's compensation programs and policies. Accordingly, Cook & Co. evaluated the company's executive and non-executive compensation programs for such risk and the mechanisms in our programs designed to mitigate these risks. Among other things, Cook & Co. reviewed our pay philosophy, forms of incentives, performance metrics, balance of cash and equity compensation, balance of long-term and short-term incentive periods, compensation governance practices, and equity grant administration practices. Based on the assessment, Cook & Co. concluded that our compensation programs and policies do not create risks that are reasonably likely to have a material adverse effect on our company.

Director Compensation

For fiscal 2016, non-employee directors received cash compensation and equity grants for their service on our Board, for their service as Chair of the Board or Chair of a Board committee, and for their service on any Board committees of which they are a member, as set forth in the table below. During fiscal 2016, the equity grants were made in the form of restricted stock units. These restricted stock units vest on the earlier of one year from the date of grant or the day before the next regularly scheduled annual meeting. The number of restricted stock units granted was determined by dividing the total monetary value of each award, equal to the equity grant as identified in the following table, by the closing price of our common stock on the trading day prior to the grant date, rounding down to the nearest whole share. Directors also received dividend equivalent payments with respect to outstanding restricted stock unit awards.

	<u>Value of Annual Compensation</u>
Annual Cash Compensation for Board Service(1)	\$ 66,000
Annual Equity Grant for Board Service(2)(3)	\$154,000
Annual Cash Compensation to Chairman of the Board(1)	\$200,000
Annual Equity Grant to Chairman of the Board(2)	\$200,000
Annual Cash Compensation to Chair of the Audit and Finance Committee(1)	\$ 25,500
Annual Equity Grant to Chair of the Audit and Finance Committee(2)	\$ 25,500
Annual Cash Compensation to Chair of the Compensation Committee(1)	\$ 12,500
Annual Equity Grant to Chair of the Compensation Committee(2)	\$ 12,500
Annual Cash Compensation to Chair of the Nominations and Corporate Governance Committee(1)	\$ 8,250
Annual Equity Grant to Chair of the Nominations and Corporate Governance Committee(2)	\$ 8,250

- (1) The annual cash compensation is paid in quarterly installments so long as the non-employee director continues to serve on the Board at the time of such payments.
- (2) The annual equity grant is awarded on the date of the Annual Meeting.
- (3) Directors who are appointed to the Board after the Company's last Annual Meeting receive an equity grant on the appointment date on a prorated basis based on the number of days that the director is scheduled to serve between the appointment date to the Board and the date one year from the prior year's Annual Meeting.

In addition to the compensation described above, non-employee directors received cash attendance compensation in the amount of \$2,000 for each committee meeting they attended for committees of which they are a member. Directors also received reimbursement for travel expenses related to attending our Board, committee or business meetings. Non-employee directors and their spouses receive discounts on our merchandise.

Non-Employee Director Summary Compensation Table

The following table shows the compensation provided to our non-employee directors during fiscal 2016.

	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)(1)</u>	<u>All Other Compensation \$(2)(3)</u>	<u>Total (\$)</u>
Adrian D.P. Bellamy	\$294,500	\$366,469(4)	\$47,970	\$708,939
Rose Marie Bravo	\$ 76,000	\$153,976(5)	\$ 236	\$230,212
Adrian T. Dillon	\$109,500	\$179,488(6)	\$ 4,817	\$293,805
Anthony A. Greener	\$ 82,000	\$153,976(5)	\$ 7,114	\$243,090
Ted W. Hall	\$ 84,000	\$153,976(5)	\$ 1,260	\$239,236
Sabrina Simmons	\$ 84,000	\$153,976(5)	\$ 1,022	\$238,998
Jerry D. Stritzke	\$ 40,253	\$182,195(7)	\$ 1,285	\$223,733
Lorraine Twohill	\$ 80,250	\$162,214(8)	\$ 168	\$242,632

- (1) Represents the grant date fair value of the restricted stock unit awards granted in fiscal 2016 as calculated in accordance with FASB ASC Topic 718, by multiplying the closing price of our common stock on the trading day prior to the grant date by the number of restricted stock units granted. The number of restricted stock units granted is determined by dividing the total monetary value of each annual equity grant as identified in the preceding table, by the closing price of our common stock on the trading day prior to the grant date, rounding down to the nearest whole share. As of January 29, 2017, the non-employee directors held the following numbers of unvested restricted stock units: Adrian D.P. Bellamy: 6,895; Rose Marie Bravo: 2,897; Adrian T. Dillon: 3,377; Anthony A. Greener: 2,897; Ted W. Hall: 2,897; Sabrina Simmons: 2,897; Jerry D. Stritzke: 2,897; and Lorraine Twohill: 3,052.

- (2) Represents the taxable value of discount on merchandise.
- (3) Excludes dividend equivalent payments, which were previously factored into the grant date fair value of disclosed equity awards.
- (4) Represents the grant date fair value associated with a restricted stock unit award of 6,895 shares of common stock made on June 2, 2016, with a fair value as of the grant date of \$53.15 per share for an aggregate grant date fair value of \$366,469.
- (5) Represents the grant date fair value associated with a restricted stock unit award of 2,897 shares of common stock made on June 2, 2016, with a fair value as of the grant date of \$53.15 per share for an aggregate grant date fair value of \$153,976.
- (6) Represents the grant date fair value associated with a restricted stock unit award of 3,377 shares of common stock made on June 2, 2016, with a fair value as of the grant date of \$53.15 per share for an aggregate grant date fair value of \$179,488.
- (7) Represents the grant date fair value associated with a restricted stock unit award of 507 shares of common stock made on March 23, 2016, with a fair value as of the grant date of \$55.66 per share and 2,897 shares of common stock made on June 2, 2016, with a fair value as of the grant date of \$53.15 per share for an aggregate grant date fair value of \$182,195.
- (8) Represents the grant date fair value associated with a restricted stock unit award of 3,052 shares of common stock made on June 2, 2016, with a fair value as of the grant date of \$53.15 per share for an aggregate grant date fair value of \$162,214.

Patrick J. Connolly, who was one of our directors and our Executive Vice President, Chief Strategy and Business Development Officer until his retirement on July 31, 2016, is not included in the table above as he was an executive officer, other than a named executive officer, and did not receive any additional compensation for his service as a director.

Director Stock Ownership Policy

The Board has approved a stock ownership policy. Each non-employee director must hold at least \$400,000 worth of shares of company stock by the fifth anniversary of such director's initial election to the Board. If a director holds at least \$400,000 worth of shares of company stock during the required time period, but the value of such director's shares decreases below \$400,000 due to a drop in the company's stock price, the director shall be deemed to have complied with this policy so long as the director does not sell shares of company stock. If a director has not complied with this policy during the required time period, then the director may not sell any shares until such director holds at least \$400,000 worth of shares of company stock. All of our directors meet the ownership requirements or have been on the board for less than five years.

Corporate Governance Guidelines and Code of Business Conduct and Ethics

Our Corporate Governance Guidelines and our Code of Business Conduct and Ethics, both of which apply to all of our employees, including our Chief Executive Officer, Chief Financial Officer and Controller, are available on our website at ir.williams-sonomainc.com/governance. Copies of our Corporate Governance Guidelines and our Code of Business Conduct and Ethics are also available upon written request and without charge to any stockholder by writing to: Williams-Sonoma, Inc., Attention: Corporate Secretary, 3250 Van Ness Avenue, San Francisco, California 94109. To date, there have been no waivers that apply to our Chief Executive Officer, Chief Financial Officer, Controller or persons performing similar functions under our Code of Business Conduct and Ethics. We intend to disclose any amendment to, or waivers of, the provisions of our Code of Business Conduct and Ethics that affect our Chief Executive Officer, Chief Financial Officer, Controller or persons performing similar functions by posting such information on our website at ir.williams-sonomainc.com/governance.

Communicating with Members of the Board

Stockholders and all other interested parties may send written communications to the Board or to any of our directors individually, including non-management directors and the Chairman of the Board, at the following address: Williams-Sonoma, Inc., Attention: Corporate Secretary, 3250 Van Ness Avenue, San Francisco, California 94109. All communications will be compiled by our Corporate Secretary and submitted to the Board or an individual director, as appropriate, on a periodic basis.

PROPOSAL 1

ELECTION OF DIRECTORS

Upon the recommendation of our Nominations and Corporate Governance Committee, our Board has nominated the persons set forth in the tables below. Our Board has no reason to believe that any of the nominees will be unwilling or unable to serve as a director. However, should a nominee become unwilling or unable to serve prior to the Annual Meeting, our Nominations and Corporate Governance Committee would recommend another person or persons to be nominated by our Board to stand for election, and your proxies would be voted for the person or persons selected by the committee and nominated by our Board.

There are no family or special relationships between any director nominee or executive officer and any other director nominee or executive officer. There are no arrangements or understandings between any director nominee or executive officer and any other person pursuant to which he or she has been or will be selected as our director and/or executive officer.

Information Regarding the Director Nominees

The following table sets forth information, as of April 3, 2017, with respect to each director nominee. We have also included information about each nominee’s specific experience, qualifications, attributes and skills that led the Board to conclude that he or she should serve as a director of the company, in light of our business and structure, at the time we file this Proxy Statement. Each director nominee furnished the biographical information set forth in the table.

Executive Officer:

<u>Nominee</u>	<u>Director Since</u>	<u>Position with the Company and Business Experience, including Directorships Held During Past Five Years</u>	<u>Specific Experience, Qualifications, Attributes and Skills</u>
Laura J. Alber Age 48	2010	<ul style="list-style-type: none"> • Chief Executive Officer since 2010 • President since 2006 • President, Pottery Barn Brands, 2002 – 2006 • Executive Vice President, Pottery Barn, 2000 – 2002 • Senior Vice President, Pottery Barn Catalog and Pottery Barn Kids Retail, 1999 – 2000 • Director, Fitbit, Inc. (fitness trackers), since 2016 • Director, RealD Inc. (3D technologies), 2013 – 2015 	<ul style="list-style-type: none"> • Extensive retail industry, merchandising and operational experience, including 22 years of experience with the company • Implemented successful growth strategies, including Pottery Barn Kids, Pottery Barn Bed + Bath and PBteen, as well as the company’s global expansion



Independent Directors:

<u>Nominee</u>	<u>Director Since</u>	<u>Position with the Company and Business Experience, including Directorships Held During Past Five Years</u>	<u>Specific Experience, Qualifications, Attributes and Skills</u>
Adrian D.P. Bellamy Age 75	1997	<ul style="list-style-type: none"> • Chairman of the Board • Chair of the Compensation Committee and member of the Nominations and Corporate Governance Committee • Chairman and Director, Reckitt Benckiser plc (household, personal, health and food products) since 2003 • Chairman, Total Wine and More (liquor retailer) since 2011 • Chairman and Director, Action Holding B.V. (non-food discount retailer) since 2013 • Director, The Gap, Inc. (clothing), 1995 – 2014 • Chairman and Director, The Body Shop International plc (personal care products), 2002 – 2008 	<ul style="list-style-type: none"> • Extensive experience as both an executive and director in the retail industry, including 12 years as Chairman and Chief Executive Officer of DFS Group Ltd. • Broad perspective of the retail industry from current and past positions on the Boards of other retailers including The Gap, The Body Shop and Gucci
Rose Marie Bravo CBE Age 66	2011	<ul style="list-style-type: none"> • Member of the Compensation Committee • Vice Chairman, Burberry Group plc (apparel and accessories), 2006 – 2007 • Chief Executive Officer, Burberry Group plc, 1997 – 2006 • President, Saks Fifth Avenue (specialty department store), 1992 – 1997 • Chairman and Chief Executive Officer of I. Magnin, a former division of R.H. Macy & Co. (specialty department store), 1987 – 1992 • Director, Tiffany & Co. (jewelry) since 1997 • Director, The Estée Lauder Companies Inc. (beauty products) since 2003 	<ul style="list-style-type: none"> • Extensive knowledge of the retail industry, with over 30 years of experience as an executive and over 18 years of experience as a public company director • Strong understanding of global brand management, merchandising, marketing and product development

<u>Nominee</u>	<u>Director Since</u>	<u>Position with the Company and Business Experience, including Directorships Held During Past Five Years</u>	<u>Specific Experience, Qualifications, Attributes and Skills</u>
Anthony A. Greener . . . Age 76	2007	<ul style="list-style-type: none"> • Member of the Compensation Committee and the Nominations and Corporate Governance Committee • Chairman, The Minton Trust (charity) since 2006 • Trustee, United Learning (education) since 2013 • Trustee, United Kingdom Sailing Academy (youth development) since 2016 • Director, WNS (Holdings) Limited (outsourcing services), 2007 – 2016 • Chairman, The St. Giles Trust (charity), 2008 – 2016 • Director, The United Church Schools Trust (education), 2005 – 2013 • Chairman, Qualifications and Curriculum Authority (education), 2002 – 2008 • Deputy Chairman, British Telecommunications plc (telecommunications), 2000 – 2006 • Chairman, Diageo plc (spirits, beer and wine), 1997 – 2000 • Chairman and Chief Executive Officer, Guinness plc (beer and spirits), 1992 – 1997 	<ul style="list-style-type: none"> • Extensive experience as both an executive and director of companies with global brands • Strong leadership skills with a variety of diverse businesses and organizations, including specialty retailers
Grace Puma Age 54	—	<ul style="list-style-type: none"> • Senior Vice President & Chief Supply Officer since 2015, Senior Vice President & Global Chief Procurement Officer, 2010 – 2015, PepsiCo, Inc. (food and beverage) • Senior Vice President & Global Chief Procurement Officer, United Airlines (airline), 2007 – 2010 • Vice President, Kraft Foods (food), 1999 – 2007 • Director, Marietta Corporation (personal care amenities), 2010 – 2015 	<ul style="list-style-type: none"> • Extensive knowledge of global procurement and supply chain operations, with over 20 years as an executive • Strong experience in global team leadership and strategy development

Proxy

<u>Nominee</u>	<u>Director Since</u>	<u>Position with the Company and Business Experience, including Directorships Held During Past Five Years</u>	<u>Specific Experience, Qualifications, Attributes and Skills</u>
Christiana Smith Shi . . . Age 56	—	<ul style="list-style-type: none"> • Founder and Principal, Lovejoy Advisors, LLC (digital advisory services) since 2016 • President, Direct-to-Consumer, 2013 – 2016, Vice President, E-Commerce 2012 – 2013, Chief Operating Officer, Global Direct-to-Consumer, 2010 – 2012, Nike Inc. (athletic footwear and apparel) • Director and Senior Partner, 2000 – 2010, Principal (Partner), 1994 – 2000, various positions, 1986 – 1994, McKinsey & Co., Inc. (consulting) • Director, West Marine, Inc. (boating and fishing supplies) since 2011 • Director, Mondelez International, Inc. (snacks) since 2015 	<ul style="list-style-type: none"> • Extensive expertise in digital commerce, global retail expansion, retail technology, store operations and supply chain, with over 15 years of experience as an e-commerce executive • Strong understanding of global retail and operations
Sabrina Simmons Age 53	2015	<ul style="list-style-type: none"> • Member of the Audit and Finance Committee • Executive Vice President, Chief Financial Officer, The Gap, Inc. (clothing), 2008 – 2017 • Executive Vice President, Corporate Finance, 2007 – 2008, Senior Vice President, Corporate Finance and Treasurer, 2003 – 2007, Vice President and Treasurer, 2001 – 2003, The Gap, Inc. • Director, e.l.f. Cosmetics, Inc. (cosmetics) since 2016 	<ul style="list-style-type: none"> • Extensive financial and accounting expertise as chief financial officer of a large public company • Extensive experience as an executive in the retail industry, including 16 years at The Gap, Inc.

<u>Nominee</u>	<u>Director Since</u>	<u>Position with the Company and Business Experience, including Directorships Held During Past Five Years</u>	<u>Specific Experience, Qualifications, Attributes and Skills</u>
Jerry D. Stritzke Age 56	2016	<ul style="list-style-type: none"> • President, Chief Executive Officer and Director, Recreational Equipment, Inc. (specialty outdoor gear), since September 2013 • President and Chief Operations Officer, Coach, Inc. (accessories), 2008 – September 2013 • Chief Operations Officer and Co-Leader, Victoria’s Secret, 2006 – 2007, Chief Executive Officer, Mast Industries, 2001 – 2006, Senior Vice President Operations, 1999 – 2001, Limited Brands, Inc. (clothing) • Director, Lululemon Athletica, Inc. (yoga apparel), 2012 – 2013 	<ul style="list-style-type: none"> • Extensive experience in specialty retail and operations, including over 18 years as a retail executive • Strong insight into global and multi-channel brands
Frits D. van Paasschen . . Age 56	—	<ul style="list-style-type: none"> • Chairman, Supervisory Board, Apollo Hotels (hotels) since 2016 • Member, Board of Advisors, CitizenM Hotels (hotels) since 2017 • Member, Board of Advisors, Rutberg & Company LLC (investment bank), since 2017 • Author, <i>The Disruptors’ Feast</i>, about the challenges of managing through disruptive change, published 2017 • President, Chief Executive Officer, Starwood Hotels and Resorts (hotels), 2007 – 2015 • President, Chief Executive Officer, Coors Brewing Company (beer), 2005 – 2007 • GM (President) Europe, Middle East & Africa, 2000 – 2004, GM (President) Americas and Africa, 1998 – 2000, Vice President Strategic Planning, 1997 – 1998, Nike Inc. (athletic footwear and apparel) • Director, Barclays PLC (banking), 2013 – 2016 • Director, Jones Apparel Group Inc. (clothing), 2004 – 2007 • Director, Oakley, Inc. (sunglasses and athletic apparel), 2004 – 2007 	<ul style="list-style-type: none"> • Extensive experience in retail and hospitality, with over 15 years of experience as an executive • Strong understanding of global retail operations and strategy

Required Vote for This Proposal

The election of each director nominee requires the affirmative vote of a majority of the votes cast at the Annual Meeting with respect to each nominee. The number of shares voted “for” a director nominee must exceed the number of votes cast “against” that nominee for the nominee to be elected as a director to serve until the next annual meeting or until his or her successor has been duly elected and qualified.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE ELECTION OF ALL OF THE DIRECTOR NOMINEES LISTED ABOVE.

PROPOSAL 2

ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

This is a proposal asking stockholders to approve, on an advisory basis, the compensation of our Named Executive Officers as disclosed in this Proxy Statement in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the “Dodd-Frank Act,” and the applicable SEC rules. This proposal is commonly known as a “Say on Pay” proposal, and gives our stockholders the opportunity to express their views on the compensation of our Named Executive Officers.

Compensation Program and Philosophy

As described in detail under the heading “Executive Compensation,” our executive officer compensation program is constructed to attract, retain and motivate highly qualified personnel in support of our primary objective of creating long-term value for stockholders, while maintaining direct links between executive pay, individual performance, the company’s financial performance and stockholder returns. A significant portion of individual compensation is directly dependent on the company’s achievement of financial goals, which we believe aligns executive interests with stockholder interests and encourages long-term stockholder returns.

Fiscal 2016 Compensation Summary

To align our executive compensation packages with our executive compensation philosophy, the following compensation decisions were made by the Compensation Committee for fiscal 2016:

- *Adjustments to Base Salary:* The base salary of our Chief Executive Officer and Named Executive Officers remained unchanged.
- *Performance-Based Cash Bonus:* Performance-based cash bonuses were paid for fiscal 2016 performance based on the company’s earnings per share goal, the achievement of positive net cash from operating activities, business unit performance and the individual performance of our Named Executive Officers.
- *Performance-Based and Time-Based Equity:* In fiscal 2016, our Named Executive Officers were granted performance stock units (PSUs) with variable payout based on a three-year performance metric and restricted stock units (RSUs) with both performance and service vesting. The PSUs granted in fiscal 2016 vest 100% after three years based upon achievement of pre-established earnings goals. The RSUs granted in fiscal 2016 vest 25% per year over a four-year period beginning on the grant date, subject to the achievement of positive net cash from operating activities in fiscal 2016, which has been achieved.

In addition to the above summary, stockholders are encouraged to read the “Executive Compensation” section of this Proxy Statement for details about our executive compensation programs, including information about the fiscal 2016 compensation of our Named Executive Officers.

We are asking our stockholders to indicate their support for our Named Executive Officer compensation as described in this Proxy Statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we ask our stockholders to vote “FOR” the following resolution at the 2017 Annual Meeting:

“RESOLVED, that the company’s stockholders approve, on an advisory basis, the compensation of the Named Executive Officers, as disclosed in the company’s Proxy Statement for the 2017 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Executive Compensation, the tabular disclosure regarding such compensation and the accompanying narrative disclosure.”

Required Vote for this Proposal

To approve this proposal, a majority of voting power entitled to vote thereon, present in person or represented by proxy, at the Annual Meeting must vote “FOR” this proposal.

This Say on Pay vote is advisory, and therefore not binding on the company, the Compensation Committee or our Board. Our Board and our Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the Named Executive Officer compensation as disclosed in this Proxy Statement, we will consider our stockholders’ concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

Under the rules of the NYSE, brokers are prohibited from giving proxies to vote on executive compensation matters unless the beneficial owner of such shares has given voting instructions on the matter. This means that if your broker is the record holder of your shares, you must give voting instructions to your broker with respect to Proposal 2 if you want your broker to vote your shares on the matter.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DESCRIBED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC.

PROPOSAL 3

ADVISORY VOTE ON THE FREQUENCY OF AN ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

This is a proposal asking stockholders to indicate, on an advisory basis, how frequently we should seek an advisory vote on the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the Dodd-Frank Act and the applicable SEC rules. By voting on this Proposal 3, stockholders may indicate whether they would prefer an advisory vote on named executive officer compensation once every year, two years or three years.

After careful consideration of this proposal, our Board has determined that an advisory vote on executive compensation that occurs annually continues to be the most appropriate alternative for the company, and therefore our Board recommends that you vote for a one-year interval for the advisory vote on executive compensation.

In formulating its recommendation, our Board considered that an annual advisory vote on executive compensation allows us to obtain information on stockholders' views of the compensation of our named executive officers on a consistent basis, by allowing our stockholders to provide us with direct input on our compensation philosophy, policies and practices as disclosed in the proxy statement every year. Since the compensation of our named executive officers is evaluated, adjusted and approved on an annual basis, an annual advisory vote will provide the Board and Compensation Committee with the best opportunity to take stockholder sentiment into consideration in making decisions with respect to executive compensation. Finally, we believe an annual advisory vote on the compensation of our named executive officers aligns more closely with our objective to engage in regular dialogue with our stockholders on corporate governance matters, including our executive compensation philosophy, policies and programs. We understand that our stockholders may have different views as to what is the best approach for the company, and we look forward to hearing from our stockholders on this proposal.

You may cast your vote on your preferred voting frequency by choosing the option of one year, two years or three years or abstain from voting when you vote in response to the resolution set forth below.

“RESOLVED, that the option of once every one year, two years or three years that receives the highest number of votes cast for this resolution will be determined to be the preferred frequency with which the company is to hold an advisory shareholder vote to approve the compensation of the named executive officers, as disclosed pursuant to the Securities and Exchange Commission’s compensation disclosure rules, including the Compensation Discussion and Analysis, the tabular disclosure regarding such compensation and the accompanying narrative disclosure.”

Required Vote for this Proposal

The option of one year, two years or three years that receives the highest number of votes cast by stockholders will be the frequency for the advisory vote on executive compensation that has been selected by stockholders.

This frequency vote is advisory and therefore not binding on the Board or the company in any way, and therefore the Board may decide that it is in the best interests of our stockholders and the company to hold an advisory vote on executive compensation more or less frequently than the option approved by our stockholders.

Under the rules of the NYSE, brokers are prohibited from giving proxies to vote on executive compensation matters unless the beneficial owner of such shares has given voting instructions on the matter. This means that if your broker is the record holder of your shares, you must give voting instructions to your broker with respect to Proposal 3 if you want your broker to vote your shares on the matter.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE OPTION OF ONCE EVERY ONE YEAR AS THE FREQUENCY WITH WHICH STOCKHOLDERS ARE PROVIDED AN ADVISORY VOTE ON EXECUTIVE COMPENSATION, AS DISCLOSED PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC.

PROPOSAL 4

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

This is a proposal asking stockholders to ratify the selection of Deloitte & Touche LLP, or Deloitte, as our independent registered public accounting firm for the fiscal year ending January 28, 2018. The Audit and Finance Committee selected Deloitte as our independent registered public accounting firm for the fiscal year ending January 28, 2018, subject to ratification by our stockholders. Although stockholder ratification of our independent registered public accounting firm is not required by law, as a matter of corporate governance, we are requesting that our stockholders ratify such selection.

A Deloitte representative will be present at the Annual Meeting, and will have the opportunity to make a statement and to respond to appropriate questions.

Deloitte Fees and Services

Deloitte has audited our financial statements for the last 37 years. Based in part upon information provided by Deloitte, the Audit and Finance Committee determined that Deloitte is independent under applicable independence standards. The Audit and Finance Committee has reviewed and discussed the fees billed by Deloitte for services in fiscal 2016, as detailed below, and determined that the provision of non-audit services was compatible with Deloitte's independence.

Deloitte provided the company with the following services:

Audit Fees

Deloitte billed approximately \$2,142,000 for fiscal 2016 and \$2,021,000 for fiscal 2015 for professional services to (i) audit our consolidated financial statements and perform an assessment of the effectiveness of our internal control over financial reporting included in our Annual Report on Form 10-K, (ii) review our condensed consolidated financial statements included in our quarterly reports on Form 10-Q, (iii) audit our 401(k) plan, and (iv) audit our statutory reports for our global entities.

Tax Fees

Deloitte billed a total of approximately \$100,000 for fiscal 2016 and \$110,000 for fiscal 2015 for tax services. Tax services included approximately: (i) \$100,000 for fiscal 2016 and \$96,000 for fiscal 2015 for tax compliance services, which included consultation for the preparation of our federal, state and local tax returns; and (ii) \$14,000 for fiscal 2015 for tax consulting services.

All Other Fees

Deloitte billed a total of approximately \$32,000 for fiscal 2016 and \$30,000 for fiscal 2015 for all other fees. All other fees consisted of sustainability consulting fees and license fees related to the use of Deloitte's online accounting research tool.

During fiscal 2016 and 2015, Deloitte did not perform any prohibited non-audit services or audit-related services for us.

Pre-Approval Policy

All services performed by Deloitte, whether audit or non-audit services, must be pre-approved by the Audit and Finance Committee or a designated member of the Audit and Finance Committee, whose decisions must be reported to the Audit and Finance Committee at its next meeting. Pre-approval cannot be obtained more than one

year before performance begins and can be for general classes of permitted services such as annual audit services or tax consulting services. All fees paid to Deloitte for fiscal 2016 and fiscal 2015 were pre-approved by the Audit and Finance Committee.

Required Vote for this Proposal

To approve this proposal, a majority of voting power entitled to vote thereon, present in person or represented by proxy, at the Annual Meeting must vote “FOR” this proposal.

If stockholders vote against this proposal, the Audit and Finance Committee will consider interviewing other independent registered public accounting firms. There can be no assurance, however, that it will choose to appoint another independent registered public accounting firm if this proposal is not approved.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE RATIFICATION OF THE SELECTION OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING JANUARY 28, 2018.

PROPOSAL 5
AMENDMENT AND RESTATEMENT OF BYLAWS
TO PROVIDE FOR PROXY ACCESS

Our Board of Directors recommends that you vote “FOR” this proposal (Proposal 5) and “AGAINST” the stockholder’s proxy access proposal (Proposal 6). We believe this Proposal 5 is in the best interests of Williams-Sonoma, Inc. and its stockholders.

Brief Overview of the Board Proposal

Williams-Sonoma, Inc. is committed to acting in the best interests of our stockholders and to sound corporate governance guidelines and practices. The Board believes that eligible stockholders should be able to use the company’s proxy materials to include their director candidates for election to the Board, and consequently the Board recommends stockholders vote “**FOR**” the proxy access bylaw (the “**Bylaw**”) set forth in Exhibit A, which is based on the clear market standard of “**3/3/20/20**.” Approximately 85% of the companies that have adopted proxy access to date have used this market standard, which allows:

- An eligible stockholder, or up to a group of **20** eligible stockholders,
- That holds **3%** of our common stock for **3 years**,
- The ability to nominate up to **20%** of the current Board’s size as director candidates, but no less than 2 director candidates.

Unlike the Bylaw, we believe the stockholder’s proposal for proxy access is inconsistent with market practice and is not properly structured or sufficiently detailed:

- To prevent abuse by investors who hold a small amount of stock, who do not have a meaningful long-term interest in the company, or who want to further special interests, and
- To minimize disruptions to the Board and its effectiveness.

Primary Elements of the Company’s Proxy Access Bylaw

The following are some of the primary elements of the Bylaw (please refer to Exhibit A for the full text of the Bylaw for all of the applicable elements):

- The Bylaw may be used by an eligible stockholder, or a group of up to 20 eligible stockholders, who has continuously owned at least 3% or more of our stock for 3 years before, and including the day of, submitting a nomination notice, and who continues to hold the qualifying minimum number of shares through the date of the applicable annual meeting.
- The Bylaw requires the stockholder to possess both full voting and investment rights and full economic interests associated with the stock.
- The Bylaw does not include, for purposes of qualifying ownership, stock that has been sold but has not settled, stock that has been borrowed, or stock that is subject to an option, warrant, or other derivative or similar agreement that has the purpose or effect of reducing the stockholder’s voting rights or hedging the economic risk of the stock.
- The Bylaw provides that an eligible stockholder, or a group of eligible stockholders, may nominate up to the greater of (i) 20% of the total number of directors who are members of our Board as of the last day on which a nomination notice may be submitted, rounded down to the nearest whole number, or (ii) 2 directors.
- The Bylaw provides certain additional procedures and requirements if multiple stockholders seek to nominate a number of directors that exceeds the maximum number allowed or if a stockholder director candidate withdraws, is nominated by the Board itself, or is already serving as an incumbent director.

- The Bylaw requires our stockholders to provide specified information no earlier than 150 calendar days, and no later than 120 calendar days, before the anniversary of the date we mailed our proxy statement for the prior year's annual meeting.
- The Bylaw requires confirmation that a stockholder did not acquire, and is not holding, any of our common stock for the purpose or with the effect of, changing the control of, or influencing a change-of-control in, the company.
- The Bylaw requires specified documents such as a Schedule 14N (a required SEC form), certain independence standards, and background information required by the proxy rules.

Required Vote for this Proposal

Approval of Proposal 5 requires the affirmative vote of a majority of the votes cast in person or by proxy at the 2017 Annual Meeting. Abstentions and broker non-votes will not affect the voting results for this proposal. Proposal 5 is not conditioned on the disapproval or approval of the stockholder proposal.

Under the rules of the NYSE, brokers are prohibited from giving proxies to vote on stockholder proposals opposed by management matters unless the beneficial owner of such shares has given voting instructions on the matter. This means that if your broker is the record holder of your shares, you must give voting instructions to your broker with respect to Proposal 5 if you want your broker to vote your shares on the matter. Abstentions and broker non-votes will not affect the voting results for either proposal.

We believe this Proposal 5 and the Bylaw foster substantial long-term stockholder value and good corporate governance practices.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THIS PROPOSAL TO AMEND OUR BYLAWS TO ADOPT PROXY ACCESS.

PROPOSAL 6
STOCKHOLDER PROPOSAL

Mr. James McRitchie and Ms. Myra K. Young, 9295 Yorkship Court, Elk Grove, California, 95758, beneficial owners of 40 shares of our common stock, have notified us that they intend to present the following resolution at the Annual Meeting.

Our Board has recommended a vote “AGAINST” Proposal 6 for the reasons set forth after the proposal.

The stockholder proposal is quoted verbatim in italics below.

Proposal 6 – Shareholder Proxy Access

RESOLVED: Shareholders of the Williams-Sopnoma, Inc. [sic] (the “Company”) ask the board of directors (the “Board”) to amend its bylaws or other documents, as necessary, to provide proxy access with essential elements for substantial implementation as follows:

- 1. Nominating shareholders or shareholder groups must beneficially own 3% or more of the Company’s outstanding common stock (“Required Stock”) continuously for at least three years and pledge to hold such stock through the annual meeting.*
- 2. The number of shareholder-nominated candidates eligible to appear in proxy materials shall be one quarter of the directors then serving or two, whichever is greater.*
- 3. No limitations, below fifty, shall be placed on the number of shareholders that can aggregate their shares to achieve the 3% Required Stock.*

Supporting Statement: The SEC’s universal proxy access Rule 14a-11 (<https://www.sec.gov/rules/final/2010/33-9136>) was vacated after a court decision regarding the SEC’s cost-benefit analysis. Therefore, proxy access rights must be established on a company-by-company basis. Subsequently, Proxy Access in the United States: Revisiting the Proposed SEC Rule (<http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2014.n9.1>) a cost benefit-analysis by CFA Institute, found proxy access would “benefit both the markets and corporate boardrooms, with little cost or disruption,” raising US market capitalization by up to \$140.3 billion. Public Versus Private Provision of Governance: The Case of Proxy Access (<http://ssrn.com/abstract+2635695>) found a 0.5 percent average increase in shareholder value for proxy access targeted firms.

Proxy Access: Best Practices (http://www.cii.org/files/publications/misc/08_05_15_Best%20Practices%20-%20Proxy%20Access.pdf) by the Council of Institutional Investors, “highlights the most troublesome provision” in recently implemented access bylaws. Noteworthy is the following:

The ability to aggregate holdings is crucial to the effectiveness of proxy access—without it, a proxy access provision would not be viable.

We note that without the ability to aggregate holdings even CII’s largest members would be unlikely to meet a 3% ownership requirement to nominate directors. Our review of current research found that even if the 20 largest public pension funds were able to aggregate their shares they would not meet the 3% criteria at most of the companies examined.

CII’s position is generally consistent with the views of the SEC. In 2010, the SEC considered, but rejected imposing a cap on the permitted number of members in a nominating group. The SEC found that individual shareowners at most companies would not be able to meet the minimum threshold of 3% ownership for proxy access unless they could aggregate their shares with other owners.

Many corporate boards have adopted proxy access bylaws with troublesome provisions that significantly impair the ability of shareholders to participate in the nominating process, and the ability of shareholder nominees to effectively serve if elected. Adoption of bylaws with all the requested elements outlined above would help ensure meaningful proxy access is available to more shareholders.

*Increase Shareholder Value
Vote for Shareholder Proxy Access Enhancement – Proposal 6*

Opposition Statement of the Board of Directors

Our Board of Directors recommends that you vote “AGAINST” this proposal (Proposal 6) and, instead, vote “FOR” the Board’s proxy access proposal (Proposal 5). The Board of Directors believes the stockholder proposal is not in the best interests of Williams-Sonoma, Inc. or its stockholders.

The stockholder proxy access proposal is not properly structured (i) to minimize the potential for abuse by investors who lack a meaningful long-term interest in our company or who wish to promote special interests, or (ii) to minimize disruption of board functions and effectiveness, and is inconsistent with the market standard for proxy access bylaws.

Williams-Sonoma, Inc. is committed to acting in the best interests of our stockholders and to sound corporate governance guidelines and practices. While the Board understands that proxy access is an important governance issue, the Board recognizes that differences remain among investors as to the appropriate limitations and rules governing proxy access. The Nominations and Corporate Governance Committee and the Board have considered the stockholder proxy access proposal and the principal features of proxy access bylaws adopted to date by a substantial majority of large companies and the views of our stockholders.

The clear market standard for a proxy access bylaw contains the principal features of “3/3/20/20,” which has been adopted by approximately 85% of the companies that have adopted a proxy access bylaw to date. The market standard allows an eligible stockholder or up to a group of 20 eligible stockholders to hold 3% of our common stock for 3 years to be able to nominate up to 20% of the current Board’s size as director candidates but to be able to nominate at least 2 directors candidates.

After the Nominations and Corporate Governance Committee considered carefully our corporate governance guidelines and practices, the committee recommended, and the Board approved, subject to stockholder approval, amending the company’s Bylaws to adopt proxy access based upon the market standard, as further described above in Proposal 5.

Therefore, the Board strongly urges you to vote “FOR” the company’s version of a “3/3/20/20” proxy access bylaw set forth above in Proposal 5, because the stockholder proposal version is not properly structured or sufficiently detailed (i) to prevent abuse by investors who hold a small amount of stock and who do not have a meaningful long-term interest in the company or who want to further special interests, or (ii) to minimize disruptions to the Board and its effectiveness, and is inconsistent with the market standard for proxy access bylaws.

The Board believes that allowing access to the company’s proxy materials is a serious and potentially disruptive event. Thus, the Board believes a proxy access bylaw should have appropriate protections and be available only to a critical mass of long-term investors. Therefore, we recommend that you vote “FOR” the company’s version of a “3/3/20/20” proxy access bylaw.

Below, we list some of the primary differences between our Board’s proxy access bylaw and the stockholder proposal:

Topic: Group of Stockholders Who May Aggregate Ownership	
Board Proposal	Stockholder Proposal
<ul style="list-style-type: none"> • A group of up to 20 stockholders 	<ul style="list-style-type: none"> • A group of up to 50 stockholders
Topic: Number of Director Candidates	
Board Proposal	Stockholder Proposal
<ul style="list-style-type: none"> • Up to 20% of the Board Size but no less than 2 directors 	<ul style="list-style-type: none"> • Up to 25% of the Board Size but no less than 2 directors
Topic: Safeguards against Abuse or Opportunism	
Board Proposal	Stockholder Proposal
<ul style="list-style-type: none"> • Require stock not to be acquired or held for change-of-control purposes 	<ul style="list-style-type: none"> • Would not prohibit stock acquired or held for change-of-control purposes to be used to nominate directors
<ul style="list-style-type: none"> • Condition eligibility on a stockholder or group of stockholders possessing voting, investment, and economic interests in the company stock 	<ul style="list-style-type: none"> • Would not prohibit borrowed stock to count towards meeting threshold requirements
<ul style="list-style-type: none"> • Require background information on director nominees required by the proxy rules 	<ul style="list-style-type: none"> • No requirement that nominating stockholder or group of stockholders provide background information required by proxy rules
<ul style="list-style-type: none"> • Require director nominees to meet certain independence standards or other qualifications 	<ul style="list-style-type: none"> • No requirement for director nominees to meet any independence standards or other qualifications

Below, we explain in more detail the primary differences between our Board’s proxy access bylaw and the stockholder proposal.

The stockholder proposal allows small stockholders with narrowly defined special interests and short-term goals to be disproportionately represented on our Board and impose excessive administrative costs.

The stockholder proposal allows a group of up to 50 stockholders to combine their holdings to meet the 3% threshold. However, the Board believes a group limitation at 50, rather than 20, stockholders is too high for our company and is not consistent with the 20-stockholder limit included in approximately 90% of the proxy access bylaws adopted to date. The Board believes a group limitation of up to 20 stockholders provides reasonable access and that, when the group limitation is set at up to 50 stockholders, the chances increase that small stockholders with narrowly defined special interests and short-term goals could become disproportionately represented on our Board.

Also, a group limitation of 20 stockholders will reduce the administrative burden and expense of managing and vetting the eligibility of the nominating stockholders and their candidates. Further, based on the company’s current stockholder base, one small stockholder can reach the 3% threshold on their own or by forming a group with a few stockholders. Therefore, the Board believes a group limitation of 20—not a group limitation of 50—is appropriate for our company.

The stockholder proposal may disrupt the Board and cause an imbalance in skills, experience, and diversity.

The Nominations and Corporate Governance Committee has a *fiduciary obligation to all stockholders* and is charged with carefully evaluating the skills set, qualities, and experience of potential candidates as well as the composition of the entire Board. As discussed above under “Director Nominations,” the Nominations and Corporate Governance Committee reviews the qualifications of all candidates who have been properly recommended by stockholders, management, or other Board members. As part of this review, the Nominations and Corporate Governance Committee considers many factors, including character, judgment, independence, financial expertise, and industry experience among other things.

However, director candidates nominated through proxy access are not subject to the Nominations and Corporate Governance committee’s review, and election of such proxy access candidates could mean our Board has an imbalance in skills, experience, and diversity. This imbalance may disrupt the Board’s effectiveness.

The Board’s proposal limits proxy access director candidates to 20% of the board—not 25% of the board—but in no event less than 2 proxy access director candidates, consistent with the 20% limit included in approximately 85% of the proxy access bylaws adopted to date. The Board believes 20% is the appropriate balance for our company, because the 20% limitation allows meaningful use of proxy access to achieve Board representation without disrupting or affecting the overall balance of skills, experience, and diversity sought by the Nominations and Corporate Governance Committee to constitute a strong Board.

The stockholder proposal lacks safeguards against abuse and opportunism.

The stockholder proposal version of proxy access is missing many important, procedural safeguards that the Board believes are crucial to protecting stockholder interests.

First, the stockholder proposal does not require that the nominating stockholder acquire or hold our stock without the purpose of or effect of, changing the control of, or influencing a change-of-control in, the company. Proxy access was not intended as a means to affect a change-of-control in a company; rather, proxy access was intended to increase stockholder representation on the board. Stockholders should not be able to use proxy access, rather than a proxy contest and solicitation, to achieve a change-of-control in the Williams-Sonoma, Inc. Therefore, the Board believes you should vote “**FOR**” the Proposal 5, which imposes a meaningful requirement that proxy access not be used to affect a change-of-control in the company.

Second, the Board believes that proxy access should only be available to stockholders who have a meaningful long-term interest in the company. In other words, only stockholders who possess voting, investment, and economic interests in the company stock should be allowed to use the company’s proxy materials to achieve director representation. However, the stockholder proposal does not prohibit stockholders from temporarily borrowing stock to meet the eligibility requirements. Thus, the Board believes you should vote “**FOR**” the Proposal 5, because it helps ensure only stockholders who want to increase long-term stockholder value are able to use proxy access.

Finally, as noted above, the stockholder proposal is silent on, and does not give careful thought to, requirements and standards necessary to have an effective Board that complies with SEC and NYSE rules. The Board’s proposal considers these requirements and has procedural safeguards that allow the Board to continue to meet its independence standards and other qualifications to be effective. Because the Board has carefully tailored its proxy access proposal, rather than the stockholder who has presented a “one-size fits all” approach, the Board believes you should vote “**FOR**” the Proposal 5.

Required Vote for this Proposal

Approval of the stockholder proxy access proposal (this Proposal 6) is not conditioned on the approval or disapproval of our Board’s proxy access proposal (Proposal 5). The stockholder proposal is advisory and non-binding in nature, and constitutes a recommendation by our stockholders to our Board.

Under the rules of the NYSE, brokers are prohibited from giving proxies to vote on stockholder proposals opposed by management matters unless the beneficial owner of such shares has given voting instructions on the matter. This means that if your broker is the record holder of your shares, you must give voting instructions to your broker with respect to Proposal 5 if you want your broker to vote your shares on the matter.

The affirmative vote of a majority of the votes cast in person or by proxy at the 2017 Annual Meeting will be required to approve this stockholder proposal. Abstentions and broker non-votes will not affect the voting results for this proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “AGAINST” THIS STOCKHOLDER PROPOSAL REGARDING PROXY ACCESS.

AUDIT AND FINANCE COMMITTEE REPORT

The Audit and Finance Committee oversees the company's financial reporting process on behalf of the Board. In meeting these responsibilities, as described under the heading "Corporate Governance—Board Committees", we perform the following functions:

- Monitor the integrity of the company's financial reports, earnings and guidance press releases, and other company financial information;
- Appoint and/or replace the independent registered public accounting firm, pre-approve all audit and non-audit services of the independent registered public accounting firm, and assess its qualifications and independence;
- Review the performance of the company's internal audit function, the company's auditing, accounting and financial reporting procedures, and the company's independent registered public accounting firm;
- Monitor the company's compliance with legal and regulatory requirements;
- Monitor the company's system of internal controls and internal control over financial reporting;
- Retain independent legal, accounting or other advisors when necessary and appropriate;
- Review the financial impact on the company of selected strategic initiatives and selected financing plans, and develop and recommend policies related to dividend, stock repurchase and foreign currency programs; and
- Review with management the company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the company's risk assessment and risk management policies.

In performing these functions, we took the following actions, among other things, related to fiscal 2016:

- Reviewed and discussed the company's audited consolidated financial statements for fiscal 2016 and unaudited quarterly condensed consolidated financial statements for fiscal 2016 with management and Deloitte;
- Reviewed, discussed with management and approved the company's periodic filings on Forms 10-K and 10-Q;
- Reviewed, discussed with management and approved all company earnings and guidance press releases;
- Reviewed and discussed the company's internal control over financial reporting with management and Deloitte;
- Reviewed and discussed with the company's internal audit department the company's internal audit plans, the significant internal audit reports issued to management and management's responses;
- Reviewed and discussed with management and the company's internal audit department the company's major financial risk exposures, including with regard to legal and regulatory matters, and the company's risk assessment and risk management policies;
- Met with Deloitte, with and without management present, to discuss the overall quality of the internal and external audit process and the financial reporting process;
- Reviewed and discussed with management, the company's internal audit department and Deloitte the sufficiency of the company's information technology systems, including how such systems support effective internal controls; and
- Discussed with Deloitte its independence from the company based on the following: (i) our confirmation that no member of Deloitte's current or former audit team is or has been employed by the company in a

financial reporting oversight role; (ii) our review of audit and non-audit fees; and (iii) the written communications from Deloitte as required by Public Company Accounting Oversight Board, or PCAOB, requirements.

During fiscal 2016, we discussed the following other matters, among other things, with Deloitte:

- Deloitte’s responsibilities in connection with the audit of the company’s financial statements;
- Deloitte’s annual letter describing its internal quality control procedures;
- Any significant issues arising during the audit and any other matters relating to the conduct of the audit of the company’s financial statements; and
- Matters required to be discussed pursuant to relevant PCAOB and SEC requirements, including the quality of the company’s accounting principles, the soundness of significant judgments and the clarity of disclosures in the company’s financial statements.

*The Audit and Finance Committee hereby reports as follows:**

(1) The Audit and Finance Committee has reviewed and discussed the company’s audited financial statements with management and Deloitte;

(2) The Audit and Finance Committee has discussed with Deloitte the matters required by PCAOB Auditing Standard No. 1301, *Communications with Audit Committees*;

(3) The Audit and Finance Committee has received the written disclosures and the letter from Deloitte required by the applicable requirements of the PCAOB regarding Deloitte’s communications with the Audit and Finance Committee concerning independence and has discussed with Deloitte its independence; and

Based on the review and discussions referred to in items (1) through (3) above, the Audit and Finance Committee recommended to the Board that the audited financial statements be included in the company’s Annual Report on Form 10-K for fiscal 2016 for filing with the SEC.

AUDIT AND FINANCE COMMITTEE OF THE
BOARD OF DIRECTORS

Adrian T. Dillon, Chair
Ted W. Hall
Sabrina Simmons

* This report shall not be deemed to be (i) “soliciting material,” (ii) “filed” with the SEC, (iii) subject to Regulations 14A or 14C of the Securities Exchange Act of 1934, as amended, or (iv) subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference into any of our other filings under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, except to the extent we specifically incorporate it by reference into such filing.

INFORMATION CONCERNING EXECUTIVE OFFICERS

The following table provides certain information about our executive officers as of April 3, 2017. Our executive officers are appointed by and serve at the pleasure of our Board, subject to rights, if any, under employment contracts.

<u>Name</u>	<u>Position with the Company and Business Experience</u>
Laura J. Alber Age 48	*
Julie P. Whalen Age 46	<ul style="list-style-type: none"> • Executive Vice President, Chief Financial Officer since 2012 • Treasurer, 2011 – 2014 • Senior Vice President, Controller, 2006 – 2012 • Vice President, Controller, 2003 – 2006
James W. Brett Age 47	<ul style="list-style-type: none"> • President, West Elm Brand since 2010 • Chief Merchandising Officer, Urban Outfitters, Inc., 2007 – 2010 • Merchandise Manager, Anthropologie, Urban Outfitters, Inc., 2003 – 2007
Janet M. Hayes Age 49	<ul style="list-style-type: none"> • President, Williams Sonoma Brand since 2013 • President, Pottery Barn Kids and PBteen Brands, 2010 – 2013 • Executive Vice President, Pottery Barn Kids and PBteen Brands, 2008 – 2010 • Senior Vice President and General Merchandising Manager, Pottery Barn, 2007 – 2008
David R. King Age 48	<ul style="list-style-type: none"> • Senior Vice President, General Counsel and Secretary since 2011 • Vice President, Deputy General Counsel, 2010 – 2011 • Vice President, Associate General Counsel, 2006 – 2010 • Director, Associate General Counsel, 2004 – 2006

* Biographical information can be found in the table under the section titled “Information Regarding the Director Nominees” beginning on page 15 of this Proxy Statement.

The following table provides certain information about our former President, Pottery Barn Brands, who resigned effective March 15, 2017:

<u>Name</u>	<u>Position with the Company and Business Experience</u>
Sandra N. Stangl Age 49	<ul style="list-style-type: none"> • President, Pottery Barn Brands (Pottery Barn, Pottery Barn Kids and PBteen), 2013 – 2017 • President, Pottery Barn Brand, 2008 – 2013 • Executive Vice President, Pottery Barn Kids and PBteen Brands, 2006 – 2008 • Senior Vice President, General Merchandising Manager, 2003 – 2006 • Senior Vice President, Product Development, 2002 – 2003



EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes our compensation program, the compensation decisions we made under our program, and the reasoning underlying those decisions. This discussion and analysis focuses on the compensation of our “Named Executive Officers,” who in fiscal 2016 were:

Laura J. Alber	Director, President and Chief Executive Officer
Julie P. Whalen	Executive Vice President, Chief Financial Officer
Sandra N. Stangl	Former President, Pottery Barn Brands
Janet M. Hayes	President, Williams Sonoma Brand
James W. Brett	President, West Elm Brand

Sandra N. Stangl resigned as President, Pottery Barn Brands effective March 15, 2017.

Compensation Discussion and Analysis – Executive Summary

Our compensation decisions begin with the objective of paying for performance. For fiscal 2016, the Compensation Committee took the following steps in support of the Company’s executive pay for performance philosophy.

- We continued to grant performance stock units (PSUs) as part of our equity program, with variable payout based on a cumulative three-year earnings goal and subject to 100% cliff vesting at the end of the three-year performance period.
- The weighting of PSUs for the Chief Executive Officer remained at 50% in fiscal 2016, and over 90% of her total target compensation was based on company performance.
- We set the fiscal 2016 earnings per share target under our annual bonus plan significantly higher than our actual earnings per share for fiscal 2015 and did not increase target cash bonus percentages for our Named Executive Officers.

In addition to actual results, we consider how our performance results were achieved. Our company values guide the way we think and approach our business, and we measure executive performance with respect to these values as we make compensation decisions. This assessment is reflected in the compensation recommendations that our Chief Executive Officer makes to the Compensation Committee with respect to the other Named Executive Officers and the Compensation Committee’s decisions with respect to the compensation of our Chief Executive Officer.

Our Values

Everything we do revolves around our mission to enhance our customers' lives at home. We are committed to quality and service, and delivering an inspiring retail experience. Our core values include:

People First

We believe that our company has no limit and is driven by our associates and their imagination. We are committed to an environment that attracts, motivates and recognizes high performance.

Customers

We are here to please our customers – without them, nothing else matters.

Quality

We take pride in everything we do. From our people to our products, and in our relationships with business partners and our community, quality is our signature.

Stockholders

We are committed to providing a superior return to our stockholders. It's everyone's job.

Integrity

We do business with the highest level of integrity. Every day, in everything we do.

Corporate Responsibility

We will build sustainability into every corner of our enterprise so that our continued financial success will enhance the lives of our many stakeholders, the communities where we have a business presence and the natural environment upon which we rely.

Fiscal 2016 Performance Highlights

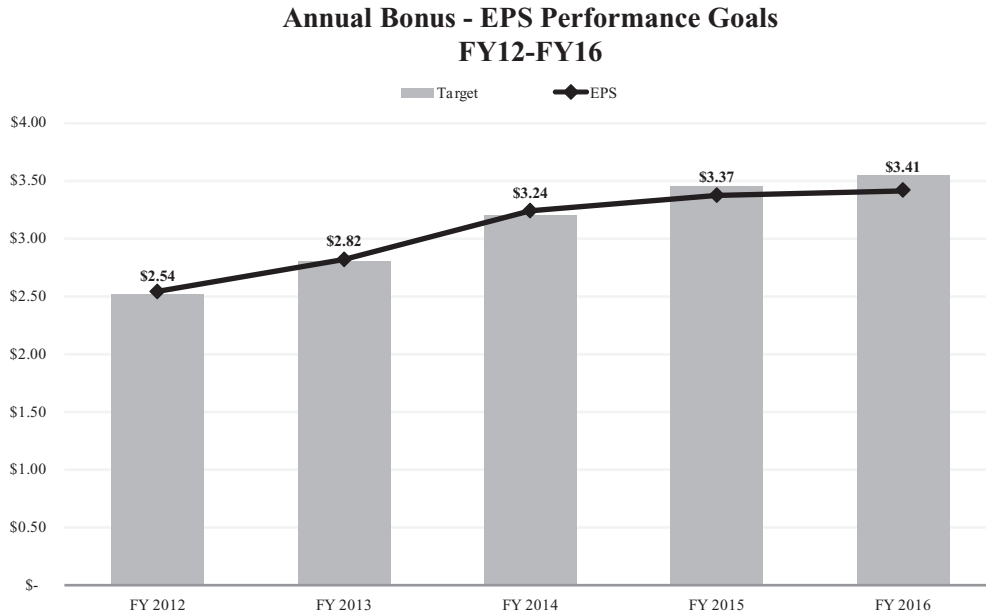
Fiscal 2016 was a year of solid performance for our company, and we experienced growth in both net revenues and earnings per share despite a challenging retail environment. Our overall growth was driven by our highly profitable e-commerce business, which expanded to almost 52% of our total revenues. Fiscal 2016 financial achievements included:

- Net revenues increased 2.2% to \$5.084 billion.
- Diluted earnings per share reached a record \$3.41 vs. \$3.37 in fiscal 2015.
- E-commerce net revenues grew 4.4% to \$2.634 billion and generated 51.8% of total net revenues in fiscal 2016, compared to 50.7% in fiscal 2015.
- We generated \$525 million in operating cash flow and returned \$285 million to our stockholders through stock repurchases and dividends.
- Comparable brand revenue growth across our business in fiscal 2016 was 0.7% on top of 3.7% in fiscal 2015.
- West Elm net revenues increased more than \$150 million, or 18.3%, and comparable brand revenue growth increased by 12.8%. This marked a seventh consecutive year of double-digit growth for West Elm.
- Our emerging brands, Rejuvenation and Mark and Graham, grew net revenues by 26.6% and company-owned international operations grew net revenues by 32.5%.

Our Compensation Program Aligns and Advances Executive and Stockholder Interests

Our compensation program is constructed to attract, motivate and retain exceptional executives in support of our primary objective to create long-term value for stockholders. Fundamentally, we believe that earnings and earnings per share, or EPS, are the measures most closely aligned with long-term stockholder value and, as such, each executive’s bonus payout and PSUs are dependent on the company’s achievement of earnings based goals.

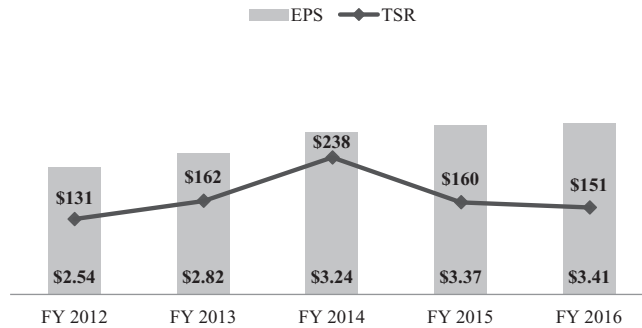
The chart below illustrates the year over year increases of our target EPS goal under our 2001 Incentive Bonus Plan, as well as our actual EPS. Our performance goal is consistently set higher than the previous year’s actual EPS performance.



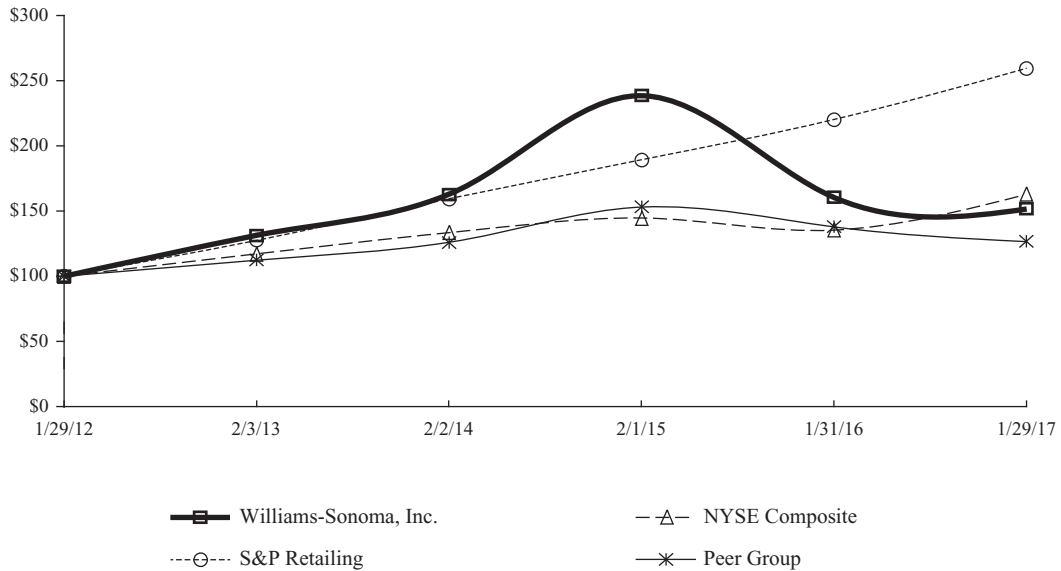
Similarly, our stock ownership guidelines and time-based equity compensation encourage our executives to deliver long-term sustained growth in our stock price. We believe this dual focus on earnings and long-term price appreciation aligns executive and stockholder interests. When we exceed targeted performance levels and/or our stock price appreciates, our executives’ realized compensation is substantially increased. When we do not achieve targeted performance levels, or when the stock price decreases, our executives’ actual earned compensation is significantly reduced.

The charts below summarize our EPS growth and total stockholder return (TSR) over the past five years, and compare our five-year cumulative TSR to our proxy peer group companies and certain market indices. These returns assume an initial investment of \$100 and reinvestment of dividends. Company performance against our peers and retail industry is reviewed and considered when making compensation decisions, and to confirm that the compensation program has been effective in incenting and linking performance with appropriate rewards.

**Williams-Sonoma, Inc.
EPS and TSR
FY12-FY16**



**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Williams-Sonoma, Inc., the NYSE Composite Index,
S&P Retailing and Peer Group**



Stockholders Supported Our Compensation Program in 2016

Our stockholders express their views on our compensation program and compensation decisions annually by casting votes in favor of or against our annual Say on Pay proposal. At the 2016 Annual Meeting of Stockholders, over 99% of the votes cast were in favor of our Say on Pay proposal. The Compensation Committee considered this advisory vote in determining whether our stockholders continue to support our compensation policies and our compensation decisions, and concluded that it demonstrates continued support.



Overview of 2016 Compensation Decisions

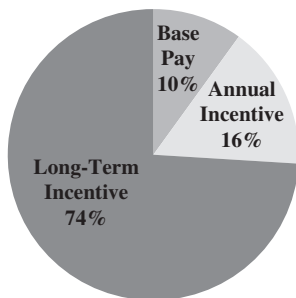
In fiscal 2016, we continued to advance our business and strategic objectives. Our compensation decisions for fiscal 2016 were intended to reward the achievements of fiscal 2016, drive strong performance in fiscal 2017, provide incentives for long-term growth, and retain our key executives. These decisions included:

- *Base Salaries.* Base salaries remained unchanged for our Named Executive Officers.
- *Annual Bonuses.* Our Named Executive Officers, other than Ms. Stangl, earned bonus payouts ranging from 93% of target to 180% of target based on both company and individual performance for fiscal 2016. Target cash bonus percentages for fiscal 2016 remained unchanged from fiscal 2015.
- *Long-Term Incentives.* We granted two forms of equity awards in fiscal 2016, restricted stock units (RSUs) and PSUs. PSUs were granted in fiscal 2016 with a variable payout based on achievement of a cumulative three-year earnings goal. The PSUs granted in fiscal 2016 vest fully and are paid out after three years, if earned, based on company performance. The RSUs granted in fiscal 2016 are subject to a one-year performance-based vesting requirement and a time-based vesting schedule of 25% per year from the grant date.

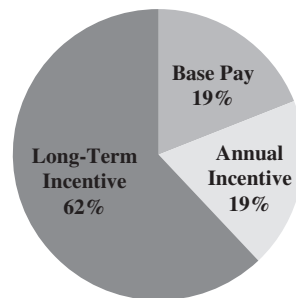
We believe our fiscal 2016 long-term incentive structure provides an appropriate mix of retention for our top executive talent and at-risk incentive to drive long-term performance.

The charts below illustrate the proportion of each element of our Named Executive Officers' and our Chief Executive Officer's fiscal 2016 compensation as reported in the Summary Compensation Table on page 51.

**Fiscal 2016 CEO
Target Total Direct Compensation**



**Fiscal 2016 Other NEO
Target Total Direct Compensation
(Excluding CEO)**



Overview of Chief Executive Officer Compensation

Since becoming Chief Executive Officer in 2010, Ms. Alber's leadership of the company has driven year-over-year gains in revenue and EPS. The compensation of our Chief Executive Officer is designed to pay for performance; 90% of Ms. Alber's total compensation opportunity for fiscal 2016 was comprised of variable incentive-based compensation, which aligns with and advances stockholders' interests. Listed below are the main elements of pay and a summary of the Compensation Committee's decisions related to the compensation of our Chief Executive Officer for fiscal 2016.

- *Base Salary.* Base salary remained unchanged for fiscal 2016.
- *Annual Bonus.* Annual bonus for fiscal 2016 was paid at 114% of target, based on an assessment of company and individual performance and represented an 8% decrease from the actual annual bonus Ms. Alber received in fiscal 2015.

- *Long-Term Incentives.* We granted long-term incentive awards of 82,088 RSUs with a one-year performance-based vesting requirement and a time-based vesting schedule of 25% per year over a four-year period. Additionally, we granted 82,088 PSUs at target payout subject to a cumulative three-year earnings goal and a three-year cliff vesting schedule.

Compensation Governance

We maintain compensation practices that are aligned with prevalent and sustainable corporate governance principles intended to encourage actions that are in the long-term interests of stockholders and the company, and discourage actions such as excessive risk-taking and other actions contrary to the long-term interests of stockholders. Below, we highlight key elements of our compensation governance.

Compensation Practices We Follow

- *We pay for performance.* With the exception of base salary and benefits, our compensation elements are incentive-based or tied to company stock performance. Variable pay constitutes over 80% of total target compensation for our Named Executive Officers other than our Chief Executive Officer, whose variable pay for fiscal 2016 was 90% of total target compensation.
- *We structure each element of compensation with a specific purpose.* Our process for making compensation decisions involves a strategic review of the role and the level of each element of compensation, as well as the balance of short-term and long-term compensation opportunities.
- *We set meaningful stock ownership guidelines.* Our expectations for stock ownership align executives' interests with those of our stockholders. The ownership guideline for our Chief Executive Officer is five times base salary. The guideline for the Named Executive Officers (other than the Chief Executive Officer) and certain other executives is two times base salary. All of our Named Executive Officers meet or exceed the stock ownership guidelines or comply with the stock retention requirements for vested restricted stock units that are designed to bring the executive up to the guideline ownership level.
- *We review our equity plan share usage regularly.* On an annual basis, the Compensation Committee reviews and evaluates our share dilution, burn rate and overhang levels with respect to equity compensation plans and their impact on stockholder dilution. The Compensation Committee is also provided this information at each committee meeting.
- *We provide limited perquisites.* Our Named Executive Officers are not provided with any special perquisites or benefits that are not otherwise offered broadly to associates of the company, with the exception of \$12,000 in financial consulting services offered to a limited number of executives. These benefits are for financial counseling to address the complexity of the executives' financial circumstances and to help them maximize the benefit of the compensation we provide to them.
- *We adopted double-trigger, not single-trigger, change in control benefits.* Our Management Retention Plan provides for accelerated vesting of equity awards and salary and bonus payouts after a change in control, but only if an executive is involuntarily terminated without cause or separates for good reason.
- *We consider the views of stockholders on an annual basis.* We provide stockholders with an annual Say on Pay advisory vote, and the Compensation Committee reviews and takes into account the results of this vote.
- *We engage an independent compensation consulting firm.* The Compensation Committee's independent consultant does not provide any other advisory or consulting services to the company.

Compensation Practices We Do Not Follow

- We do not provide excise tax gross-ups or gross-ups of any kind.
- We do not allow hedging, pledging or short sales of company stock.

- We do not pay dividends on unvested performance-based RSUs and PSUs.
- We do not grant stock options or stock appreciation rights with exercise prices below 100% of fair market value.
- We do not allow repricing underwater stock options or stock appreciation rights without stockholder approval.
- We do not permit personal use of our corporate aircraft.

Roles in Determining Executive Compensation

The Compensation Committee makes compensation decisions related to the compensation of the Named Executive Officers with the input and recommendations of the Chief Executive Officer (other than with respect to her own compensation). Management provides the Compensation Committee with analyses and recommendations developed internally with the Chief Executive Officer. The Compensation Committee reviews these materials with its compensation consultant and considers the consultant's advice as part of its decision-making process, including the consultant's advice regarding the selection of appropriate peers for inclusion in the company's proxy peer group. With respect to the Chief Executive Officer's base salary, the Compensation Committee makes a recommendation to the independent members of the Board of Directors, and all independent Directors determine any base salary adjustments for the Chief Executive Officer.

Role of Compensation Committee

Each year, the Compensation Committee determines appropriate business targets for the fiscal year and evaluates executives' performance against those targets. As the Compensation Committee structures the executive compensation program, it considers accounting and tax implications of each compensation element, as well as stockholder dilution in the case of equity awards. The Compensation Committee updates the Board of Directors regarding compensation decisions for executives and for the Chief Executive Officer, with the exception of adjustments to her base salary, which are determined by the independent members of the Board, as described above. The Compensation Committee's role is further detailed in the Compensation Committee Charter, which is available on the company's website at ir.williams-sonomainc.com/governance.

In making compensation decisions, the Compensation Committee reviews each executive's past and current compensation and analyzes each of the following:

- Each Named Executive Officer's achievement of established financial and operating objectives for that executive's area of responsibility;
- The compensation opportunity for each Named Executive Officer relative to the compensation opportunity disclosed by companies in the proxy peer group for the officer's corresponding position, for each compensation element;
- Internal positioning among the Named Executive Officers; and
- Whether the vesting schedule and value of outstanding long-term incentive awards are sufficient to provide an appropriate balance of short and long-term incentives, drive sustained performance and provide potential for appropriate reward.

Role of Our Chief Executive Officer and Management

The Chief Executive Officer is present at Compensation Committee meetings (except when her own compensation is being deliberated and established) and makes recommendations regarding the compensation program in general and each executive's compensation specifically. Her recommendations are made in the context of peer group and other relevant data, and are based on a quantitative analysis and comparison of each executive's performance against fiscal year business and strategic objectives and her qualitative evaluation of each executive's contributions to the company's long-term objectives. Further, she provides input on each

executive's respective responsibilities and growth potential, as well as their equity position and potential for wealth accumulation. Other members of management are also present at Compensation Committee meetings to provide background information regarding the company's business and strategic objectives.

Role of Independent Compensation Committee Consultant

Frederic W. Cook & Co., or Cook & Co., is the independent executive compensation consultant for the Compensation Committee. Cook & Co. provides services only as directed by the Compensation Committee and has no other relationship with the company. The Compensation Committee has reviewed its relationship with Cook & Co. and has identified no conflicts of interest.

In fiscal 2016, Cook & Co. provided the Compensation Committee with publicly disclosed proxy data related to Named Executive Officer compensation. The Compensation Committee occasionally requests that Cook & Co. attend its meetings and receives from Cook & Co., on an annual basis, an in-depth update on general and retail industry compensation trends and developments.

In addition, in fiscal 2016, the Compensation Committee asked Cook & Co. to evaluate the risk inherent in our executive and non-executive compensation programs. Their report concluded that, among other things:

- The company's executive compensation program is designed to encourage behaviors aligned with the long-term interests of stockholders;
- There is appropriate balance in short-term versus long-term pay, cash versus equity, recognition of corporate versus business unit performance, financial versus non-financial goals, and use of formulas and discretion; and
- Policies are in place to mitigate compensation risk, such as stock ownership guidelines, insider trading prohibitions and disclosure requirements, and independent Compensation Committee oversight.

After considering this evaluation, the Compensation Committee concluded that our compensation programs do not encourage executives to take on business and operating risks that are reasonably likely to have a material adverse effect on the company.

Role of Market Data

The Compensation Committee, the Chief Executive Officer and management believe that knowledge of general market practices and the specific compensation practices of our proxy peer group, listed below, is important in assessing the design and competitiveness of our compensation package. When market data is reviewed, it is considered as a reference point, rather than a fixed policy, for compensation positioning and decision-making. We do not set compensation to meet specific benchmarks or percentiles. For fiscal 2016, our executives' target total direct compensation is at or above the 75th percentile of our proxy peer group. When target total direct compensation was set at the beginning of fiscal 2016, the Compensation Committee confirmed the resulting competitive positioning was appropriate for our executives given our strong operating performance and sustained revenue and earnings growth in recent years. In addition, the Compensation Committee determined that setting total direct compensation at this level is appropriate given the executives' continued strong performance and valuable experience operating in our complex multi-channel business model.

Our Proxy Peer Group

The Compensation Committee uses a peer group composed of public companies in the retail industry to review competitive compensation data for the company's executives. The Compensation Committee evaluates this proxy peer group on an annual basis to ensure that the companies selected remain appropriate. The proxy peer group for fiscal 2016 was selected by the Compensation Committee based on the guiding criteria described below, with advice from Cook & Co. Certain proxy peer companies may not meet all selection criteria, but are included

because they are direct competitors of our business, direct competitors for our executive talent, have a comparable business model, or for other reasons. The proxy peer group guiding criteria for fiscal 2016 was as follows:

1. Company Classification in the Global Industry Classification Standard in one of the following:
 - Home Furnishing Retail;
 - Apparel Retail; or
 - Department Stores;
2. Revenues between \$1.5 billion and \$14 billion;
3. Market capitalization greater than \$250 million and less than \$40 billion;
4. Current peer listed by a proxy advisory firm;
5. Among the top 100 e-retailers or an operator of multiple brands; and
6. Positive total stockholder return over the last one and three year periods.

Our Fiscal 2016 Proxy Peer Group

For fiscal 2016, the Compensation Committee reviewed the proxy peer group guiding criteria against our current revenues and market capitalization. In addition, the Compensation Committee considered compensation peer companies used by proxy advisory firms, other major e-retailers, and other major retailers with sustained positive total stockholder return. Upon completion of its review, the Compensation Committee made the following changes to the proxy peer group for fiscal 2016.

The Compensation Committee added three companies to the peer group: Ralph Lauren Corporation, Levi's Strauss & Co, and V.F. Corporation, as these companies meet our guiding criteria. Additionally, V.F. Corporation was added as a successful multi-brand operator, and Levi's Strauss & Co was added due to its geographic proximity to our headquarters and direct competition for talent.

Ann Inc. was removed from the proxy peer group for fiscal 2016 following its purchase by Ascena Retail Group. Pier 1 Imports, Inc. and Abercrombie & Fitch & Co. were removed from the proxy peer group for fiscal 2016 as the Committee determined these companies did not meet our performance criteria.

For fiscal 2016, our proxy peer group consisted of the following 15 public companies:

American Eagle Outfitters, Inc.	Nordstrom, Inc.
Bed Bath & Beyond Inc.	Ralph Lauren Corporation
Coach, Inc.	RH
Foot Locker, Inc.	Ross Stores, Inc.
The Gap, Inc.	Tiffany & Co.
L Brands, Inc.	Urban Outfitters, Inc.
Levi Strauss & Co.	V.F. Corporation
lululemon athletica inc.	

The following table provided by Cook & Co., based on publicly available information as of April 3, 2017, provides a financial overview of the proxy peer group companies in order to compare their revenues, net income, and market capitalization as a group relative to the company.

	<u>Latest 4 Qtr Net Revenue (in millions)</u>	<u>Latest 4 Qtr Net Income (in millions)</u>	<u>Market Capitalization (in millions) (as of 2/1/2017)</u>
75th Percentile	\$12,337	\$698	\$10,377
Average	\$ 7,953	\$526	\$ 9,912
Median	\$ 6,958	\$446	\$ 9,014
25th Percentile	\$ 3,806	\$255	\$ 6,281
Williams-Sonoma, Inc.	\$ 5,084	\$305	\$ 4,167

Components of Our Compensation Program, 2016 Decisions and the Decision-Making Process

Our compensation program for our Named Executive Officers is made up of the four components listed below, which are designed to create long-term value for stockholders and to attract, motivate and retain outstanding executives.

<u>Compensation Component</u>	<u>Purpose</u>
Base Salary	<ul style="list-style-type: none"> • Provides a competitive minimum level of fixed compensation based on an executive's role and responsibilities.
Annual Cash Bonus	<ul style="list-style-type: none"> • Motivates and rewards achievement toward our annual business and strategic objectives with cash that varies based on results.
Long-Term Incentives (e.g. equity compensation awards)	<ul style="list-style-type: none"> • Encourage our executive team to work toward the company's long-term growth, provide variable payout opportunities that reward the creation of sustained and long-term earnings growth and stockholder value, and offer meaningful incentives to remain with the company.
Benefits	<ul style="list-style-type: none"> • Enhance our compensation program with significant and market-competitive health, welfare, financial and retirement benefits.

Base Salary

In March 2016, the Compensation Committee reviewed and set the fiscal 2016 base salaries of our Named Executive Officers based on overall company performance and performance relative to our proxy peer companies, an analysis of each executive's position relative to executives in our proxy peer group, other market data, each executive's experience (as well as past, current and anticipated contributions to the company's success), and the Chief Executive Officer's recommendations (other than with respect to her own base salary). Following review, the base salaries for each of our Named Executive Officers remained unchanged.

In executive session at a meeting in March 2016, without the Chief Executive Officer present, the Compensation Committee reviewed Ms. Alber's base salary. The Compensation Committee concluded that Ms. Alber's base salary would remain unchanged for fiscal 2016.

The following table shows the fiscal 2015 and fiscal 2016 base salaries for our Named Executive Officers.

<u>Named Executive Officer</u>	<u>Fiscal 2015 Base Salary</u>	<u>Fiscal 2016 Base Salary</u>
Laura J. Alber	\$1,400,000	\$1,400,000
Julie P. Whalen	\$ 750,000	\$ 750,000
Sandra N. Stangl	\$1,100,000	\$1,100,000
Janet M. Hayes	\$ 925,000	\$ 925,000
James W. Brett	\$1,000,000	\$1,000,000

Annual Cash Bonus

Cash bonuses are awarded to our Named Executive Officers under the 2001 Incentive Bonus Plan, or the Bonus Plan.

At the beginning of each fiscal year, the Compensation Committee reviews and establishes individual bonus targets for each Named Executive Officer and threshold, target and maximum EPS goals under the Bonus Plan which determine the funding pool from which executive bonuses are paid.

In addition, the Compensation Committee sets a primary performance goal that must be achieved, which establishes the maximum bonus payable under the Bonus Plan to each Named Executive Officer subject to the Compensation Committee's discretion to reduce such amount. For fiscal 2016, this goal was positive net cash flow provided by operating activities as reported in the company's consolidated statements of cash flows. This

primary goal was met in fiscal 2016, and the Compensation Committee used negative discretion to determine the actual payout to each Named Executive Officer based on achievement of the EPS goal and each individual's performance, as described below.

Fiscal 2016 Bonus Targets

At a meeting held in March 2016, the Compensation Committee reviewed the bonus targets under the Bonus Plan for each Named Executive Officer. The Compensation Committee considered the recommendations of the Chief Executive Officer, which were informed by the following factors:

- Each executive's respective responsibilities;
- The bonus targets set by our proxy peers;
- The relationship of the bonus target to other compensation elements; and
- Whether the established bonus targets are effective in motivating our executives to deliver strong performance.

The target bonuses as a percentage of base salary under the Bonus Plan remained unchanged for fiscal 2016.

In executive session at a meeting in March 2016, without the Chief Executive Officer present, the Compensation Committee reviewed Ms. Alber's bonus target and concluded that her bonus target would remain unchanged for fiscal 2016 as her target total cash compensation is properly positioned.

The target bonuses as a percentage of base salary under the Bonus Plan for fiscal 2015 and fiscal 2016 are listed below for each Named Executive Officer.

<u>Named Executive Officer</u>	<u>Fiscal 2015 Target Bonus (as a Percentage of Base Salary)</u>	<u>Fiscal 2016 Target Bonus (as a Percentage of Base Salary)</u>
Laura J. Alber	150%	150%
Julie P. Whalen	100%	100%
Sandra N. Stangl	100%	100%
Janet M. Hayes	100%	100%
James W. Brett	100%	100%

Our Bonus Performance Goal – EPS

The pool from which executive bonuses are paid depends on our achievement of EPS guidelines established by the Compensation Committee. For fiscal 2016, the Compensation Committee set a diluted EPS target of \$3.55 (excluding extraordinary non-recurring charges or unusual items and the effect of changes in accounting principles). The target performance goal required significant improvement over fiscal 2015 results. The threshold goal also required an overall increase in annual EPS over fiscal 2015 results. For fiscal 2016, we achieved performance below target but above threshold resulting in a lower bonus payout to Ms. Alber. Bonus amounts for Ms. Whalen, Ms. Hayes and Mr. Brett reflect performance against individual and business unit goals. Ms. Stangl did not earn a bonus for fiscal 2016 as she was not employed on the date that bonuses were paid, as provided under the Bonus Plan.

Individual Bonus Objectives

In addition to EPS results, individual performance is assessed in order to determine the payout of bonuses. The Compensation Committee believes that the achievement of individual objectives is critical to the overall success of the company and, as such, bonuses are paid, in part, to reflect individual achievement. For example, if an executive fails to fully meet some or all individual objectives, the executive's bonus may be significantly reduced

or even eliminated. Conversely, if the objectives are overachieved, awards may be subject to less or no reduction from the maximum amount payable to the executive based on our achievement of the primary positive net cash flow goal described above.

The Compensation Committee decides the bonus amount, if any, for the Chief Executive Officer in an executive session in which the Chief Executive Officer is not present. In March 2017, the Compensation Committee reviewed the fiscal 2016 performance of each Named Executive Officer and considered the recommendations of the Chief Executive Officer for Named Executive Officers other than herself. For fiscal 2016, the Compensation Committee approved the bonus payments in the table below under the Bonus Plan for each Named Executive Officer, which were informed by the following factors:

- Achievement of EPS and other financial results; and
- A qualitative assessment of each executive’s leadership accomplishments in the fiscal year (noting that accomplishments that increase stockholder return or that significantly impact future stockholder return are significant factors in the assessment of individual performance).

<u>Named Executive Officer</u>	<u>Fiscal 2016 Bonus Amount*</u>	<u>Fiscal 2016 Actual Bonus (as a Percentage of Target)</u>
Laura J. Alber	\$2,400,000	114%
Julie P. Whalen	\$ 700,000	93%
Sandra N. Stangl	—	—
Janet M. Hayes	\$1,300,000	141%
James W. Brett	\$1,800,000	180%

* Reflects the Compensation Committee’s exercise of discretion to reduce the maximum amount payable to the executive under the Bonus Plan for fiscal 2016.

Long-Term Incentives

The third component of the company’s compensation program is long-term equity compensation. The Compensation Committee believes that equity compensation awards encourage our executives to work toward the company’s long-term business and strategic objectives and to maximize long-term stockholder returns. In addition, the Compensation Committee believes that equity awards incentivize executives to remain with the company.

In fiscal 2016, equity was granted to our Named Executive Officers in the form of PSUs and RSUs. PSUs were granted with a cumulative three-year earnings target based on earnings growth and a cliff vesting schedule of 100% at the end of a three-year performance period. PSUs earned are variable based on actual earnings performance relative to target with no PSUs earned for below threshold performance, 50% of target earned for threshold performance, 100% of target earned for target performance, and 200% of target earned for maximum performance and above. RSUs were granted with a performance-based vesting requirement and a time-based vesting schedule of 25% per year over four years. The Compensation Committee believes that granting equity in the form of RSUs and PSUs drives strong performance, aligns each executive’s interests with those of stockholders, and provides an important and powerful retention tool. In determining the long-term incentive awards for fiscal 2016, the Compensation Committee considered relevant market data, the strong performance of the executive team, and the unvested value of equity awards remaining in fiscal 2016. The target number of PSUs granted to our Chief Executive Officer represented 50% of the total number of equity awards granted to her in fiscal 2016, which is in line with market practice among our peer group. For our other Named Executive Officers, the PSUs represented 30% of the total number of equity awards granted to each of them.

The Compensation Committee established the three-year earnings growth goals for the PSUs by reference to our three-year earnings growth plan, which was presented to and reviewed by our Board of Directors. We believe that the goals were set at challenging levels and are aligned with the long-term interests of our stockholders.



The performance criterion for the fiscal 2016 performance-based RSUs required that the company achieve positive net cash flow provided by operating activities in fiscal 2016 as provided on the company's consolidated statements of cash flows. The performance criterion for fiscal 2016 was achieved.

In determining the type and number of equity awards granted to each Named Executive Officer, the Compensation Committee considered the recommendations of the Chief Executive Officer, which were based on:

- The executive's performance and contribution to the profitability of the company;
- The type and number of awards previously granted to each executive;
- The executive's outstanding equity awards;
- The vesting schedule of the executive's outstanding equity awards;
- The relative value of awards offered by peer companies to executives in comparable positions;
- The appropriate mix between long-term incentive awards and other types of compensation, such as base salary and bonus; and
- Additional factors, including increased responsibilities, succession planning and retention strategy.

The Compensation Committee believes that each factor influences the type and number of shares appropriate for each individual and that no one factor is determinative.

In determining the long-term incentive grant for the Chief Executive Officer, the Compensation Committee took into account a number of factors, including the company's performance and the assessment by the Compensation Committee of the Chief Executive Officer's performance.

Equity grants approved by the Compensation Committee in April 2016 were as follows:

<u>Named Executive Officer</u>	<u>Number of Restricted Stock Units</u>	<u>Number of Performance Stock Units (at Target)</u>
Laura J. Alber	82,088	82,088
Julie P. Whalen	22,984	9,850
Sandra N. Stangl	42,521	18,223
Janet M. Hayes	34,477	14,775
James W. Brett	42,521	18,223

PSUs Granted in Fiscal 2014

In fiscal 2014, the Compensation Committee granted PSUs to our Chief Executive Officer and Named Executive Officers. The Chief Executive Officer received PSUs weighted at 70% of her long-term incentives and the Named Executive Officers received PSUs weighted at 20% of each of their long-term incentives. The PSUs granted in fiscal 2014 were granted with a cumulative three-year earnings growth target based on EPS growth. Additionally, for purposes of calculating the EPS growth rate, outstanding shares were held constant throughout the three-year period and only unusual business events identifiable upon grant were able to be excluded from the calculation. Therefore, as a result of a significant impact from an unforeseen port slowdown on the west coast beginning in late fiscal 2014, as well as the shares being held constant for calculation purposes, the threshold cumulative three-year earnings growth rate of 7% was not satisfied and the PSUs did not vest.

Benefits Provided to Named Executive Officers

All of the benefits offered to our Named Executive Officers are offered broadly to our full-time associates, except that a limited number of company executives are provided with reimbursement of financial consulting services up to \$12,000 annually. The Compensation Committee believes that providing this assistance is prudent

given the complexity of these executives' compensation and financial arrangements and helps our Named Executive Officers maximize the compensation we pay to them. The value of the benefits offered to each of the Named Executive Officers is detailed in the Other Annual Compensation from Summary Compensation Table on page 52. As noted previously, the company does not provide any income tax gross-ups to Named Executive Officers on any benefits.

Additional Information

Executive Stock Ownership Guidelines

The Compensation Committee has established stock ownership guidelines for our Named Executive Officers. Executive stock ownership supports the company's primary objective of creating long-term value for stockholders by aligning the executives' interests directly with those of the company's stockholders. Each executive is expected to maintain this minimum ownership while employed with us. The current guidelines for stock ownership are:

Chief Executive Officer and President:	Five times Base Salary
Other Named Executive Officers:	Two times Base Salary

The following equity holdings count toward the stock ownership guidelines: shares directly owned by the executive or his or her immediate family members; shares held in trust or any similar entity benefiting the executive or the executive's immediate family; and shares owned through the Williams-Sonoma, Inc. 401(k) Plan. Unexercised stock appreciation rights, unexercised stock options, and unvested restricted stock units or other full-value awards do not count towards the stock ownership guidelines listed above.

Executives covered under the ownership guidelines are required to retain at least 50% of the net after-tax shares received as a result of the release of restricted stock units until the applicable ownership guideline has been achieved. All of our Named Executive Officers meet or exceed the revised stock ownership guidelines or comply with the stock retention requirements for vested restricted stock units that are designed to bring the executive up to the applicable ownership level.

Double-Trigger Change of Control Provisions

Each of our Named Executive Officers is entitled to double-trigger change of control benefits under our 2012 EVP Level Management Retention Plan, other than our Chief Executive Officer, who is entitled to such benefits under an individual arrangement. None of our Named Executive Officers are provided with any type of golden parachute excise tax gross-up. We believe that our change of control arrangements are competitive compensation practices and meet the company's objectives of:

- Enhancing our ability to retain these key executives as such arrangements are an important component of competitive compensation programs;
- Ensuring that our executives remain objective and fully dedicated to the company's business and strategic objectives at a critical time; and
- Facilitating a smooth transition should a change in control occur.

The Compensation Committee has considered the total potential cost of the change of control arrangements provided to our Named Executive Officers and has determined that such cost is reasonable and reflects the importance of the objectives described above.

Severance Protection for the Chief Executive Officer

As described in the section titled "Employment Contracts and Termination of Employment and Change-of-Control Arrangements" beginning on page 57, we have entered into severance arrangements with Ms. Alber providing for certain severance benefits in the event of a termination of her employment. The Compensation

Committee implemented these arrangements to ensure that she remains focused on the company's business and strategic objectives rather than potential personal economic exposure under these particular circumstances. The Compensation Committee has considered the total potential cost of her severance benefits and determined them to be reasonable.

RSU and PSU Vesting Provisions Upon Retirement

Grants of RSUs, including the performance-based RSUs granted to our Named Executive Officers, include an acceleration feature that provides for full vesting upon retirement, which is defined as leaving the company at age 70 or later, with a minimum of 15 years of service. Grants of PSUs granted to our Named Executive Officers vest on a pro-rata basis subject to achievement of the applicable performance goals in the event of such a retirement. Currently, none of our Named Executive Officers are retirement eligible.

Clawback Policy Following Financial Restatement

We do not have a formal policy regarding recovery of past payments or awards in the event of a financial restatement, but in such event, the Compensation Committee will review all performance-based compensation and consider initiating recovery of any favorably impacted performance-based compensation in appropriate circumstances. Additional remedial actions could include an executive's termination of employment. Further, we intend to implement any recovery policies required by applicable law, including anticipated SEC rulemaking under the Dodd-Frank Act.

Internal Revenue Code Section 162(m)

Internal Revenue Code Section 162(m) disallows the deduction of compensation paid to certain executives in excess of \$1,000,000 unless it is "qualified performance-based compensation." The Compensation Committee reviews the potential impact of Section 162(m) as it constructs the compensation program and in relation to the level of each element of compensation, but reserves the right to pay non-deductible compensation where appropriate to achieve our business objectives. Bonuses awarded to our executives in fiscal 2016 under our Bonus Plan, as well as the equity awards granted to our executives, are intended to qualify as performance-based compensation. However, because of the fact-based nature of the qualified performance-based compensation exception and the limited availability of binding guidance thereunder, we cannot guarantee that any compensation intended to qualify as deductible performance-based compensation so qualifies.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on this review and discussion with management, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in the company's Annual Report on Form 10-K for fiscal 2016.

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Adrian D.P. Bellamy, Chair
Rose Marie Bravo
Anthony A. Greener
Lorraine Twohill

Summary Compensation Table for Fiscal 2016, Fiscal 2015 and Fiscal 2014

This table sets forth the annual and long-term compensation earned by our Named Executive Officers.

Name and Principal Position	Fiscal Year	Salary \$(1)	Bonus (\$)	Stock Awards \$(2)(3)	Option Awards (\$)	Non-Equity Incentive Plan Compensation \$(4)	All Other Compensation \$(5)	Total (\$)
Laura J. Alber Director, President and Chief Executive Officer	2016	\$1,400,000	—	\$9,999,960	—	\$2,400,000	\$ 23,419	\$13,823,379
	2015	\$1,373,077	—	\$9,999,857	—	\$2,600,000	\$ 22,391	\$13,995,325
	2014	\$1,409,619	—	\$9,999,937	—	\$3,250,000	\$ 19,660	\$14,679,216
Julie P. Whalen Executive Vice President, Chief Financial Officer	2016	\$ 750,000	—	\$1,999,919	—	\$ 700,000	\$ 28,398	\$ 3,478,317
	2015	\$ 736,538	—	\$1,799,898	—	\$ 650,000	\$ 33,748	\$ 3,220,184
	2014	\$ 742,458	—	\$1,799,951	—	\$ 800,000	\$ 68,095	\$ 3,410,504
Sandra N. Stangl Former President, Pottery Barn Brands	2016	\$1,100,000	—	\$3,699,917	—	\$ —	\$ 29,241	\$ 4,829,158
	2015	\$1,100,000	—	\$3,699,871	—	\$1,000,000	\$ 27,972	\$ 5,827,843
	2014	\$1,160,945	—	\$3,699,952	—	\$1,600,000	\$115,202	\$ 6,576,099
Janet M. Hayes President, Williams Sonoma Brand	2016	\$ 925,000	—	\$2,999,939	—	\$1,300,000	\$113,879	\$ 5,338,818
	2015	\$ 918,269	—	\$2,599,886	—	\$ 800,000	\$ 58,141	\$ 4,376,296
	2014	\$ 933,737	—	\$2,499,984	—	\$1,300,000	\$228,589	\$ 4,962,310
James W. Brett(6) President, West Elm Brand	2016	\$1,000,000	—	\$3,699,917	—	\$1,800,000	\$176,015	\$ 6,675,932
	2015	\$ 973,077	—	\$3,499,873	—	\$1,800,000	\$ 89,488	\$ 6,362,438

- (1) Variances in the salary column versus annual base salary are a result of the timing of paychecks issued in a given fiscal year and, for fiscal 2015, cash paid in lieu of unused vacation.
- (2) Represents the grant date fair value of awards granted in fiscal 2016, fiscal 2015, and fiscal 2014, as calculated in accordance with FASB ASC Topic 718, by multiplying the closing price of our stock on the trading day prior to the grant date by the number of units granted. The number of restricted stock units and performance stock unit awards granted is determined by dividing the total monetary value of each award by the closing price of our common stock on the trading day prior to the grant date, rounding down to the nearest whole share.
- (3) The amounts in the stock awards column include the fair market value of performance stock unit awards assuming probable achievement of the performance goal at target levels resulting in the following fair market values for the performance stock unit awards: Ms. Alber – \$4,999,980 (fiscal 2016), \$4,999,929 (fiscal 2015) and \$6,999,956 (fiscal 2014); Ms. Whalen – \$599,964 (fiscal 2016), \$539,931 (fiscal 2015) and \$359,965 (fiscal 2014); Ms. Stangl – \$1,109,963 (fiscal 2016), \$1,109,931 (fiscal 2015) and \$739,953 (fiscal 2014); Ms. Hayes – \$899,945 (fiscal 2016), \$779,943 (fiscal 2015) and \$499,997 (fiscal 2014); and Mr. Brett – \$1,109,963 (fiscal 2016) and \$749,951 (fiscal 2015). Assuming maximum achievement of the performance goal, the fair market value of those performance stock units would be: Ms. Alber – \$9,999,960 (fiscal 2016), \$9,999,858 (fiscal 2015) and \$13,999,912 (fiscal 2014); Ms. Whalen – \$1,199,927 (fiscal 2016), \$1,079,862 (fiscal 2015) and \$719,930 (fiscal 2014); Ms. Stangl – \$2,219,926 (fiscal 2016), \$2,219,862 (fiscal 2015) and \$1,479,906 (fiscal 2014); Ms. Hayes – \$1,799,891 (fiscal 2016), \$1,559,886 (fiscal 2015) and \$999,994 (fiscal 2014); and Mr. Brett – \$2,219,926 (fiscal 2016) and \$1,499,902 (fiscal 2015).
- (4) Represents amounts earned under the Company's 2001 Incentive Bonus Plan for fiscal 2016, fiscal 2015, and fiscal 2014.
- (5) Details are provided in the "Other Annual Compensation from Summary Compensation Table" on page 52.
- (6) Mr. Brett became a Named Executive Officer in fiscal 2015.

Other Annual Compensation from Summary Compensation Table

This table sets forth the compensation and benefits included under “All Other Compensation” in the Summary Compensation Table above.

	Fiscal Year	Life Insurance Premiums(1)	Matching Contribution to the 401(k) Plan(2)	Car Allowance	Executive Financial Services	Dividend Equivalent Payments(3)	Total
Laura J. Alber	2016	\$3,510	\$7,923	\$6,000	\$ 5,986	—	\$ 23,419
	2015	\$3,510	\$6,481	\$6,000	\$ 6,400	—	\$ 22,391
	2014	\$3,510	\$7,500	\$6,000	\$ 2,650	—	\$ 19,660
Julie P. Whalen	2016	\$2,610	\$7,788	\$6,000	\$12,000	—	\$ 28,398
	2015	\$2,301	\$7,096	\$6,000	\$12,000	\$ 6,351	\$ 33,748
	2014	\$1,519	\$7,942	\$6,000	\$12,000	\$ 40,634	\$ 68,095
Sandra N. Stangl	2016	\$3,510	\$7,731	\$6,000	\$12,000	—	\$ 29,241
	2015	\$3,510	\$6,462	\$6,000	\$12,000	—	\$ 27,972
	2014	\$3,510	\$7,942	\$6,000	\$12,000	\$ 85,750	\$115,202
Janet M. Hayes	2016	\$3,240	\$7,755	\$6,000	\$12,000	\$ 84,884	\$113,879
	2015	\$3,215	\$6,808	\$6,000	\$ 9,092	\$ 33,026	\$ 58,141
	2014	\$2,938	\$8,065	\$6,000	\$ 2,908	\$208,678	\$228,589
James W. Brett	2016	\$3,510	\$8,335	—	\$12,000	\$152,170	\$176,015
	2015	\$3,398	\$5,952	—	\$12,000	\$ 68,138	\$ 89,488

- (1) Premiums paid by us for term life insurance in excess of \$50,000 for each fiscal year.
- (2) Represents company matching contributions under our 401(k) plan. Similar to our other full-time employees, Named Executive Officers were eligible to participate in our 401(k) plan and received matching contributions from the company of up to \$7,950 during calendar 2016. Matching amounts above this maximum are due to differences between calendar and fiscal year contributions.
- (3) Amounts only include any dividend equivalent payments for any outstanding equity award not disclosed at the time of grant in the executive compensation tables of a prior proxy statement. Excludes the following dividend equivalent payments, which were previously factored into the grant date fair value for such disclosed equity award: Ms. Alber – \$573,509 (fiscal 2016), \$251,064 (fiscal 2015) and \$1,181,901 (fiscal 2014); Ms. Whalen – \$180,601 (fiscal 2016), \$26,017 (fiscal 2015) and \$59,956 (fiscal 2014); Ms. Stangl – \$199,576 (fiscal 2016), \$87,833 (fiscal 2015) and \$66,205 (fiscal 2014); Ms. Hayes – \$63,486 (fiscal 2016), \$35,111 (fiscal 2015) and \$13,252 (fiscal 2014) and Mr. Brett – \$12,579 (fiscal 2016).

Grants of Plan-Based Awards

This table sets forth certain information regarding all grants of plan-based awards made to the Named Executive Officers during fiscal 2016.

	Grant Date	Compensation Committee Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards (\$)(3)
			Threshold (\$)	Target (\$)(1)(2)	Maximum (\$)(2)	Threshold (#)	Target (#)	Maximum (#)		
Laura J. Alber	—	—	—	\$2,100,000	\$10,000,000	—	—	—	—	
	4/18/2016	3/23/2016(4)	—	—	—	—	—	82,088	\$4,999,980	
	4/18/2016	3/23/2016(5)	—	—	—	41,044	82,088	164,176	\$4,999,980	
Julie P. Whalen	—	—	—	\$ 750,000	\$10,000,000	—	—	—	—	
	4/18/2016	3/23/2016(4)	—	—	—	—	—	22,984	\$1,399,955	
	4/18/2016	3/23/2016(5)	—	—	—	4,925	9,850	19,700	\$ 599,964	
Sandra N. Stangl	—	—	—	\$1,100,000	\$10,000,000	—	—	—	—	
	4/18/2016	3/23/2016(4)	—	—	—	—	—	42,521	\$2,589,954	
	4/18/2016	3/23/2016(5)	—	—	—	9,111	18,223	36,446	\$1,109,963	
Janet M. Hayes	—	—	—	\$ 925,000	\$10,000,000	—	—	—	—	
	4/18/2016	3/23/2016(4)	—	—	—	—	—	34,477	\$2,099,994	
	4/18/2016	3/23/2016(5)	—	—	—	7,387	14,775	29,550	\$ 899,945	
James W. Brett	—	—	—	\$1,000,000	\$10,000,000	—	—	—	—	
	4/18/2016	3/23/2016(4)	—	—	—	—	—	42,521	\$2,589,954	
	4/18/2016	3/23/2016(5)	—	—	—	9,111	18,223	36,446	\$1,109,963	

- (1) Target potential payment for each eligible executive pursuant to our established incentive targets.
- (2) To ensure deductibility under our stockholder-approved 2001 Incentive Bonus Plan (intended to qualify as performance-based compensation under Internal Revenue Code Section 162(m)), the Compensation Committee specified a primary performance goal. For fiscal 2016, the Compensation Committee established the primary performance goal for the 2001 Incentive Bonus Plan as positive net cash provided by operating activities as provided on the company's consolidated statements of cash flows. The Compensation Committee also set a secondary performance goal to guide its use of discretion in determining whether to reduce bonus amounts from the maximum shown in the table above; the Compensation Committee typically expects to pay bonuses at target levels if the secondary performance goal is met at target. For fiscal 2016, the Compensation Committee set the secondary performance goal as an earnings per share target of \$3.55 (excluding extraordinary non-recurring charges, and including any amounts payable to covered employees under the 2001 Incentive Bonus Plan). As further described in the Compensation Discussion and Analysis beginning on page 36, the 2001 Incentive Bonus Plan's primary performance goal was achieved and the secondary performance goal was achieved between threshold and target levels, and the Compensation Committee elected to apply its discretion in determining to reduce the actual amount to be paid to the Named Executive Officers under the 2001 Incentive Bonus Plan below the maximum potential payment shown in the table above.
- (3) Represents the grant date fair value of restricted stock unit and performance stock unit awards granted in fiscal 2016, as calculated in accordance with FASB ASC Topic 718, by multiplying the closing price of our stock on the trading day prior to the grant date by the number of units granted. The number of restricted stock unit and performance stock units granted is determined by dividing the total monetary value of each award by the closing price of our common stock on the trading day prior to the grant date, rounding down to the nearest whole share.
- (4) Grants of restricted stock units. See the section entitled "Components of our Compensation Program, 2016 Decisions and the Decision Making Process—Long-Term Incentives" in the Compensation Discussion and Analysis beginning on page 47 and the footnotes to the "Outstanding Equity Awards at Fiscal Year-End" table for more information regarding these grants.
- (5) Grants of performance stock units. See the section entitled "Components of our Compensation Program, 2016 Decisions and the Decision Making Process—Long-Term Incentives" in the Compensation Discussion and Analysis beginning on page 47 and the footnotes to the "Outstanding Equity Awards at Fiscal Year-End" table for more information regarding these grants. The number of performance stock units granted appears in the "Target" column.

Outstanding Equity Awards at Fiscal Year-End

The following tables set forth information regarding equity awards held by our Named Executive Officers on January 29, 2017.

	Option Awards(1)				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date
Laura J. Alber	—	—	—	—	—
Julie P. Whalen	8,465	—	—	\$40.87	4/5/2018
Sandra N. Stangl	—	—	—	—	—
Janet M. Hayes	—	—	—	—	—
James W. Brett	—	—	—	—	—

(1) Includes grants of options and stock-settled stock appreciation rights.

Stock Awards

	<u>Number of Shares or Units of Stock that have not Vested (#)</u>	<u>Market Value of Shares or Units of Stock that have not Vested \$(1)</u>	<u>Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested (#)</u>	<u>Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested \$(1)</u>
Laura J. Alber	82,088(2)	\$3,899,180	—	—
	—	—	82,088(3)	\$3,899,180
	49,013(4)	\$2,328,118	—	—
	—	—	65,350(5)	\$3,104,125
	23,973(6)	\$1,138,718	—	—
	0(7)	\$ 0	0(7)	\$0
	32,827(8)	\$1,559,283	—	—
Julie P. Whalen	22,984(2)	\$1,091,740	—	—
	—	—	9,850(3)	\$467,875
	12,351(4)	\$ 586,673	—	—
	—	—	7,057(5)	\$335,208
	11,507(6)	\$ 546,583	—	—
	0(7)	\$ 0	0(7)	\$0
	6,331(8)	\$ 300,723	—	—
Sandra N. Stangl	42,521(2)	\$2,019,748	—	—
	—	—	18,223(3)	\$865,593
	25,389(4)	\$1,205,978	—	—
	—	—	14,507(5)	\$689,083
	23,654(6)	\$1,123,565	—	—
	0(7)	\$ 0	0(7)	\$0
	11,724(8)	\$ 556,890	—	—
Janet M. Hayes	34,477(2)	\$1,637,658	—	—
	—	—	14,775(3)	\$701,813
	17,841(4)	\$ 847,448	—	—
	—	—	10,194(5)	\$484,215
	15,982(6)	\$ 759,145	—	—
	0(7)	\$ 0	0(7)	\$0
	8,441(8)	\$ 400,948	—	—
James W. Brett	42,521(2)	\$2,019,748	—	—
	—	—	18,223(3)	\$865,593
	9,803(4)	\$ 465,643	—	—
	17,154(4)	\$ 814,815	—	—
	—	—	9,802(5)	\$465,595
	15,982(6)	\$ 759,145	—	—
	0(7)	\$ 0	0(7)	\$0
	8,441(8)	\$ 400,948	—	—

- (1) Based on a stock price of \$47.50, the closing price of our common stock on January 27, 2017, the last business day of fiscal 2016.
- (2) Represents restricted stock units granted on April 18, 2016. The restricted stock units vest as follows: (i) 25% of the units vest on April 18, 2017; (ii) 25% of the units vest on April 18, 2018; (iii) 25% of the units vest on April 18, 2019; and (iv) 25% of the units vest on April 18, 2020, each subject to continued service and a performance criterion of positive net cash flow provided by operating activities (excluding any non-recurring charges) for fiscal 2016 as provided on the company's consolidated statements of cash flows, which has been met. In addition, upon vesting, the executive receives a cash payment equal to dividends declared between the grant date and the vesting date.
- (3) Represents performance stock units granted on April 18, 2016. The performance stock units vest on April 18, 2019, subject to continued service and achievement of performance criterion. The shares above



reflect a target payout of 100%. This award has a potential payout of 200% if the maximum performance criterion is achieved and 50% if the threshold performance criterion is achieved.

- (4) Represents restricted stock units granted on April 20, 2015. The restricted stock units vest as follows: (i) 25% of the units vested on April 20, 2016; (ii) 25% of the units vest on April 20, 2017; (iii) 25% of the units vest on April 20, 2018; and (iv) 25% of the units vest on April 20, 2019, each subject to continued service and a performance criterion of positive net cash flow provided by operating activities (excluding any non-recurring charges) for fiscal 2015 as provided on the company's consolidated statements of cash flows, which has been met. In addition, upon vesting, the executive receives a cash payment equal to dividends declared between the grant date and the vesting date.
- (5) Represents performance stock units granted on April 20, 2015. The performance stock units vest on April 20, 2018, subject to continued service and achievement of performance criterion. The shares above reflect a target payout of 100%. This award has a potential payout of 200% if the maximum performance criterion is achieved and 50% if the threshold performance criterion is achieved.
- (6) Represents restricted stock units granted on April 22, 2014. The restricted stock units vest as follows: (i) 25% of the units vested on April 22, 2015; (ii) 25% of the units vested on April 22, 2016; (iii) 25% of the units vest on April 22, 2017; and (iv) 25% of the units vest on April 22, 2018, each subject to continued service and a performance criterion of positive net cash flow provided by operating activities (excluding any non-recurring charges) for fiscal 2014 as provided on the company's consolidated statements of cash flows, which has been met. In addition, upon vesting, the executive receives a cash payment equal to dividends declared between the grant date and the vesting date.
- (7) Represents performance stock units granted on April 22, 2014. The performance stock units were scheduled to vest on April 22, 2017, subject to continued service and achievement of performance criterion; however, the threshold performance criterion was not achieved and zero units vested.
- (8) Represents restricted stock units granted on April 26, 2013. The restricted stock units vest as follows: (i) 25% of the units vested on April 26, 2014; (ii) 25% of the units vested on April 26, 2015; (iii) 25% of the units vested on April 26, 2016; and (iv) 25% of the units vest on April 26, 2017, each subject to continued service and a performance criterion of positive net cash flow provided by operating activities (excluding any non-recurring charges) for fiscal 2013 as provided on the company's consolidated statements of cash flows, which has been met. In addition, upon vesting, the executive receives a cash payment equal to dividends declared between the grant date and the vesting date.

Option Exercises and Stock Vested

The following table sets forth information regarding exercises and vesting of equity awards held by our Named Executive Officers during fiscal 2016.

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise \$(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting \$(2)
Laura J. Alber	—	—	141,324	\$8,489,075
Julie P. Whalen	—	—	42,587	\$2,416,252
Sandra N. Stangl	—	—	54,561	\$3,260,939
Janet M. Hayes	22,004	\$194,295	39,916	\$2,387,715
James W. Brett	—	—	45,460	\$2,721,692

- (1) The value realized upon exercise is calculated as the difference between the closing price of our stock on the day prior to the exercise date and the applicable exercise price of the option awards multiplied by the number of shares exercised.
- (2) The value realized upon vesting is calculated as the closing price of our stock on the day prior to the vesting date multiplied by the number of units vested.

Pension Benefits

None of our Named Executive Officers received any pension benefits during fiscal 2016.

Nonqualified Deferred Compensation

None of our Named Executive Officers contributed to or received earnings from a company nonqualified deferred compensation plan during fiscal 2016.

Employment Contracts and Termination of Employment and Change-of-Control Arrangements

We entered into an amended and restated management retention agreement with Ms. Alber on September 6, 2012. The management retention agreement restates substantially all of the material terms of the prior agreement, with the exception of extending the term of the agreement through September 7, 2033. All other terms are substantially the same as the EVP Retention Plan, as defined below.

Effective November 16, 2015, we amended the 2012 EVP Level Management Retention Plan (Amended and Restated Effective November 16, 2015), or the EVP Retention Plan. The EVP Retention Plan restates substantially all of the material terms of the prior 2012 EVP Level Management Retention Plan. Each of Ms. Whalen, Mr. Brett, Ms. Hayes and Ms. Stangl are subject to the EVP Retention Plan. The EVP Retention Plan provides that the executives automatically become participants in the plan upon the effective date of the EVP Retention Plan. The EVP Retention Plan will remain in effect through November 15, 2018, unless earlier terminated by the company in accordance with the plan.

If within 18 months following a change of control, an executive's employment is terminated by us without "cause," or by the executive for "good reason," then (i) 100% of such executive's outstanding equity awards, including full value awards, with performance-based vesting where the payout is a set number or zero depending on whether the performance metric is obtained, will immediately become fully vested, except that if a full value award has performance-based vesting and the performance period has not been completed and the number of shares that can be earned is variable based on the performance level, a pro-rata portion of such executive's outstanding equity awards will immediately become fully vested at the target performance level, and (ii) in lieu of continued employment benefits (other than as required by law), such executive will be entitled to receive payments of \$3,000 per month for 12 months.

In addition, if, within 18 months following a change of control, the executive's employment is terminated by us without "cause," or by the executive for "good reason," such executive will be entitled to receive (i) severance equal to 200% of such executive's base salary as in effect immediately prior to the change of control or such executive's termination, whichever is greater, with such severance to be paid over 24 months, and (ii) 200% of the average annual bonus received by such executive in the last 36 months prior to the termination, with such severance to be paid over 24 months.

Each executive's receipt of the severance benefits discussed above is contingent on such executive signing and not revoking a release of claims against us, such executive's continued compliance with our Code of Business Conduct and Ethics (including its provisions relating to confidential information and non-solicitation), such executive not accepting employment with one of our competitors, and such executive's continued non-disparagement of us. In the event that the severance payments and other benefits payable to an executive under a retention agreement constitute a "parachute payment" under Section 280G of the U.S. tax code and would be subject to the applicable excise tax, then the executive's severance payments and other benefits will be either (i) delivered in full or (ii) delivered to a lesser extent such that no portion of the benefits are subject to the excise tax, whichever results in the receipt by such executive on an after-tax basis of the greatest amount of benefits (such provision, a "better after-tax" provision).

For purposes of the EVP Retention Plan, “cause” means: (i) an act of dishonesty made by the executive in connection with his or her responsibilities as an employee; (ii) the executive’s conviction of, or plea of nolo contendere to, a felony or any crime involving fraud, embezzlement or any other act of moral turpitude; (iii) the executive’s gross misconduct; (iv) the executive’s unauthorized use or disclosure of any proprietary information or trade secrets of the company or any other party to whom the executive owes an obligation of nondisclosure as a result of the executive’s relationship with the company; (v) the executive’s willful breach of any obligations under any written agreement or covenant with the company or breach of the company’s Code of Business Conduct and Ethics; or (vi) the executive’s continued failure to perform his or her employment duties after he or she has received a written demand of performance which specifically sets forth the factual basis for the belief that the executive has not substantially performed his or her duties and has failed to cure such non-performance within 30 days after receiving such notice.

For purposes of the EVP Retention Plan, “change of control” means the occurrence of any of the following events: (i) a change in the ownership of the company which occurs on the date that any one person, or more than one person acting as a group (“Person”), acquires ownership of the stock of the company that, together with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the company; provided, however, that for purposes of this subsection (i), the acquisition of additional stock by any one Person, who is considered to own more than 50% of the total voting power of the stock of the company will not be considered a change of control; or (ii) a change in the effective control of the company which occurs on the date that a majority of members of the Board of Directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board of Directors prior to the date of the appointment or election; provided, however, that for purposes of this subsection (ii), if any Person is considered to effectively control the company, the acquisition of additional control of the company by the same Person will not be considered a change of control; or (iii) a change in the ownership of a substantial portion of the company’s assets which occurs on the date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the company’s assets: (A) a transfer to an entity that is controlled by the company’s stockholders immediately after the transfer, or (B) a transfer of assets by the company to: (1) a stockholder of the company (immediately before the asset transfer) in exchange for or with respect to the company’s stock, (2) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the company, (3) a Person that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the company, or (4) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person. For purposes of this subsection (iii), gross fair market value means the value of the assets of the company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the company. Notwithstanding the foregoing, a transaction shall not be deemed a change of control unless the transaction qualifies as a change in the ownership of the company, change in the effective control of the company or a change in the ownership of a substantial portion of the company’s assets, each within the meaning of Section 409A.

For purposes of the EVP Retention Plan, “good reason” means, without the executive’s consent, (i) a material reduction in his or her annual base salary (except pursuant to a reduction generally applicable to senior executives of the company), (ii) a material diminution of his or her authority, duties or responsibilities, (iii) the executive ceasing to report directly to a specified individual or the Board of the company or the entity holding all or substantially all of the company’s assets following a change of control, or (iv) relocation of the executive to a location more than 50 miles from the company’s San Francisco, California main office location. In addition, upon any such voluntary termination for good reason, the executive must provide written notice to the company

of the existence of one or more of the above conditions within 90 days of its initial existence, and the company must be provided with at least 30 days from the receipt of the notice to remedy the condition.

Acceleration of PSUs

PSUs were granted to our Named Executive Officers in each of fiscal 2016, fiscal 2015 and fiscal 2014. The PSUs vest on a pro-rata basis subject to achievement of the applicable performance goals in the event of a Named Executive Officer's death, "disability," or "retirement." The PSUs also provide that upon a "change in control," the performance goals shall be deemed satisfied at target and, for purposes of any severance vesting provisions, the PSUs will generally be treated in the same manner as a time-based restricted stock unit award covering the number of shares based on such deemed target performance.

For purposes of the PSUs, "disability" means the occurrence of any of the following events: (i) the executive being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last for a continuous period of not less than 12 months; (ii) the executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under the company's accident and health plan covering the company's employees; or (iii) the executive has been determined to be totally disabled by the Social Security Administration.

For purposes of the PSUs, "retirement" means the executive's termination of employment for a reason other than "cause," "disability," or death subsequent to the executive having attained age 70 and having been employed by the company for at least 15 years. Currently, none of the Named Executive Officers satisfy the requirements for "retirement."

For purposes of the PSUs, "cause" means: (i) embezzlement, theft or misappropriation by the executive of any property of any of the company; (ii) the executive's breach of any fiduciary duty to the company; (iii) the executive's failure or refusal to comply with laws or regulations applicable to the company and their businesses or the policies of the company governing the conduct of its employees or directors; (iv) the executive's gross incompetence in the performance of their job duties; (v) the executive's commission of a felony or of any crime involving moral turpitude, fraud or misrepresentation; (vi) the executive's failure to perform duties consistent with a commercially reasonable standard of care; (vii) the executive's failure or refusal to perform job duties or to perform specific directives of the executive's supervisor or designee, or the senior officers or the Board; or (viii) any gross negligence or willful misconduct by the executive resulting in loss to the company or damage to the reputation of the company.

For purposes of the PSUs, "change in control" generally has the same meaning of "change in control" under the EVP Retention Plan or in the Named Executive Officer's employment agreement, as applicable.

Laura J. Alber

We entered into an amended and restated employment agreement with Laura J. Alber, effective as of September 6, 2012, which amended and restated the prior agreement entered into with Ms. Alber, effective May 26, 2010. The employment agreement restates substantially all of the material terms of the prior agreement, with the exception of extending the term of the agreement through September 7, 2033 and referencing Ms. Alber's then current base salary of \$1,300,000. If we terminate Ms. Alber's employment without "cause," if she terminates her employment with us for "good reason," or if her employment is terminated due to her death or "disability," she will be entitled to receive (i) severance equal to 24 months of her base salary to be paid over 24 months, (ii) a lump sum payment equal to 200% of the average annual bonus received by her in the last 36 months prior to the termination, (iii) in lieu of continued employment benefits (other than as required by law), payments of \$3,000 per month for 18 months, and (iv) accelerated vesting of her then-outstanding equity awards

that vest solely based upon Ms. Alber’s continued service by up to an additional 18 months’ of vesting credit, and if the awards were subject to cliff-vesting of more than one year, the cliff-vesting provision will be lifted and vesting credit given as if the award had been subject to monthly vesting, and equity awards subject to performance-based vesting will remain outstanding through the date upon which the achievement of the applicable performance milestones are certified with such awards paid out, subject to the attainment of the applicable performance milestones, to the same extent and at the same time as if Ms. Alber had remained employed through the 18-month anniversary of her termination date. Ms. Alber’s receipt of the severance benefits discussed above is contingent on her signing and not revoking a release of claims against us, her continued compliance with our Code of Business Conduct and Ethics (including its provisions relating to confidential information and non-solicitation), her not accepting employment with one of our competitors, and her continued non-disparagement of us.

For purposes of the employment agreement with Ms. Alber, “cause” is defined as (i) an act of dishonesty made by her in connection with her responsibilities as an employee, (ii) Ms. Alber’s conviction of or plea of nolo contendere to, a felony or any crime involving fraud, embezzlement or any other act of moral turpitude, (iii) Ms. Alber’s gross misconduct, (iv) Ms. Alber’s unauthorized use or disclosure of any proprietary information or trade secrets of the company or any other party to whom she owes an obligation of nondisclosure as a result of her relationship with the company, (v) Ms. Alber’s willful breach of any obligations under any written agreement or covenant with the company or breach of the company’s Code of Business Conduct and Ethics, or (vi) Ms. Alber’s continued failure to perform her employment duties after she has received a written demand of performance from the Board which specifically sets forth the factual basis for the Board’s belief that she has not substantially performed her duties and has failed to cure such non-performance to the company’s satisfaction within 30 days after receiving such notice.

For purposes of the employment agreement with Ms. Alber, “disability” means Ms. Alber (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering company employees.

For purposes of the employment agreement with Ms. Alber, “good reason” is defined as, without Ms. Alber’s consent, (i) a reduction in her base salary (except pursuant to a reduction generally applicable to senior executives of the company), (ii) a material diminution of her authority or responsibilities, (iii) a reduction of Ms. Alber’s title, (iv) Ms. Alber ceasing to report directly to the Board of Directors, or (v) the Board of Directors failing to re-nominate Ms. Alber for Board membership when her Board term expires while she is employed by the company. In addition, upon any such voluntary termination for good reason, Ms. Alber must provide written notice to the company of the existence of one or more of the above conditions within 90 days of its initial existence and the company must be provided with at least 30 days to remedy the condition.

The following table describes the payments and/or benefits which would have been owed by us to Ms. Alber as of January 29, 2017 if her employment had been terminated in various situations, without taking into account the “better after-tax” provision or applicable taxes.

<u>Compensation and Benefits</u>	<u>For Good Reason</u>	<u>Involuntary Without Cause</u>	<u>Change-of-Control</u>	<u>Death/Disability</u>
Base Salary(1)	\$ 2,800,000	\$ 2,800,000	\$ 2,800,000	\$ 2,800,000(2)
Bonus Payment(3)	\$ 6,233,333	\$ 6,233,333	\$ 6,233,333	\$ 6,233,333(2)
Equity Awards(4)(5)	\$14,138,043(6)	\$14,138,043(6)	\$21,242,618(7)	\$14,138,043(6)
Health Care Benefits(8)	\$ 54,000	\$ 54,000	\$ 36,000	\$ 54,000

(1) Represents 200%, or 24 months, of Ms. Alber’s base salary as of January 29, 2017.

(2) Will be reduced by the amount of any payments Ms. Alber receives through company-paid insurance policies.

- (3) Represents 200% of the average annual bonus received by Ms. Alber in the 36-month period prior to January 29, 2017.
- (4) Value is based on a stock price of \$47.50, the closing price of our common stock on January 27, 2017, the last business day of fiscal 2016.
- (5) For illustrative purposes only, performance stock units are estimated at target.
- (6) Represents the sum of (i) \$8,109,533 for acceleration of vesting of 170,727 restricted stock units and (ii) \$6,028,510 for acceleration of vesting of 126,916 performance stock units. Excludes performance stock units granted in 2014 for which the threshold performance criterion was not achieved.
- (7) Represents the sum of (i) \$8,925,298 for acceleration of vesting of 187,901 restricted stock units and (ii) \$12,317,320 for acceleration of vesting of 259,312 performance stock units.
- (8) Based on a monthly payment of \$3,000 to be paid by the company for 18 months or 12 months, as applicable, in lieu of continued employment benefits.

All Other Named Executive Officers

Except as described above in connection with a termination following a change of control of the company, the other Named Executive Officers are generally not entitled to severance benefits in connection with their termination for good reason or involuntary termination. The following table describes the payments and/or benefits which would have been owed by us to the Named Executive Officers as of January 29, 2017 under the EVP Retention Plan if within 18 months following a change of control of the company, the executive's employment was terminated by us without cause, or by the executive for good reason, without taking into account the "better after-tax" provision or applicable taxes.

Name	Potential Double-Trigger Change in Control Benefits			
	Base Salary(1)	Bonus Payment(2)	Equity Awards(3)	Health Care Benefits(4)
Julie P. Whalen	\$1,500,000	\$1,533,333	\$3,602,068(5)	\$36,000
Sandra N. Stangl	\$2,200,000	\$2,933,333	\$7,022,590(6)	\$36,000
Janet M. Hayes	\$1,850,000	\$2,066,667	\$5,210,798(7)	\$36,000
James W. Brett	\$2,000,000	\$3,366,667	\$6,171,058(8)	\$36,000

- (1) Represents 200% of each Named Executive Officer's base salary as of January 29, 2017.
- (2) Represents 200% of the average annual bonus received by each Named Executive Officer in the 36-month period prior to January 29, 2017.
- (3) Value is based on a stock price of \$47.50, the closing price of our common stock on January 27, 2017, the last business day of fiscal 2016.
- (4) Based on a monthly payment of \$3,000 to be paid by the company for 12 months in lieu of continued employment benefits.
- (5) Represents the sum of (i) \$2,525,718 for acceleration of vesting of 53,173 restricted stock units and (ii) \$1,076,350 for acceleration of vesting of 22,660 performance stock units.
- (6) Represents the sum of (i) \$4,906,180 for acceleration of vesting of 103,288 restricted stock units and (ii) \$2,116,410 for acceleration of vesting of 44,556 performance stock units.
- (7) Represents the sum of (i) \$3,645,198 for acceleration of vesting of 76,741 restricted stock units and (ii) \$1,565,600 for acceleration of vesting of 32,960 performance stock units.
- (8) Represents the sum of (i) \$4,460,298 for acceleration of vesting of 93,901 restricted stock units and (ii) \$1,710,760 for acceleration of vesting of 36,016 performance stock units.

Other Acceleration Provisions Under Equity Award Agreements and 2001 LTIP

Pursuant to our equity award agreements, our Named Executive Officers are eligible for pro-rata accelerated vesting of their equity awards in the event of death, disability or retirement, subject to the achievement of performance goals in the case of performance stock units. In addition, our 2001 Long-Term Incentive Plan provides that, in the event of a merger or sale of all or substantially all of the assets of the company, a liquidation or dissolution of the company or a corporate reorganization of the company, equity awards held by all plan participants (including our Named Executive Officers) will vest in full immediately prior to such transaction to the extent they are terminated at the time of such transaction without provision to the holder of an equivalent substitute award. The following table describes the benefits which would have been paid to our Named Executive Officers under these provisions had they been fully triggered on January 29, 2017. None of our Named Executive Officers were eligible to retire on January 29, 2017.

<u>Name</u>	<u>Death/Disability (1)(2)</u>	<u>Award Termination (1)(2)</u>
Laura J. Alber	\$12,577,668(3)(4)	\$21,242,618(9)
Julie P. Whalen	\$ 2,080,215(5)	\$ 3,602,068(10)
Sandra N. Stangl	\$ 4,107,373(6)	\$ 7,022,590(11)
Janet M. Hayes	\$ 2,965,615(7)	\$ 5,210,798(12)
James W. Brett	\$ 3,418,480(8)	\$ 6,171,058(13)

- (1) Value is based on a stock price of \$47.50, the closing price of our common stock on January 27, 2017, the last business day of fiscal 2016.
- (2) For illustrative purposes only, performance stock units are estimated at target.
- (3) Under her employment agreement, Ms. Alber may be entitled to greater acceleration in the event of her death or disability, as described above in the table on page 60.
- (4) Represents the sum of (i) \$5,164,723 for acceleration of vesting of 108,731 restricted stock units and (ii) \$7,412,945 for acceleration of vesting of 156,062 performance stock units.
- (5) Represents the sum of (i) \$1,517,293 for acceleration of vesting of 31,943 restricted stock units and (ii) \$562,923 for acceleration of vesting of 11,851 performance stock units.
- (6) Represents the sum of (i) \$2,974,165 for acceleration of vesting of 62,614 restricted stock units and (ii) \$1,133,208 for acceleration of vesting of 23,857 performance stock units.
- (7) Represents the sum of (i) \$2,159,825 for acceleration of vesting of 45,470 restricted stock units and (ii) \$805,790 for acceleration of vesting of 16,964 performance stock units.
- (8) Represents the sum of (i) \$2,582,623 for acceleration of vesting of 54,371 restricted stock units and (ii) \$835,858 for acceleration of vesting of 17,597 performance stock units.
- (9) Represents the sum of (i) 8,925,298 for acceleration of vesting of 187,901 restricted stock units and (ii) \$12,317,320 for acceleration of vesting of 259,312 performance stock units.
- (10) Represents the sum of (i) \$2,525,718 for acceleration of vesting of 53,173 restricted stock units and (ii) 1,076,350 for acceleration of vesting of 22,660 performance stock units.
- (11) Represents the sum of (i) \$4,906,180 for acceleration of vesting of 103,288 restricted stock units and (ii) \$2,116,410 for acceleration of vesting of 44,556 performance stock units.
- (12) Represents the sum of (i) \$3,645,198 for acceleration of vesting of 76,741 restricted stock units and (ii) \$1,565,000 for acceleration of vesting of 32,960 performance stock units.
- (13) Represents the sum of (i) \$4,460,298 for acceleration of vesting of 93,901 restricted stock units and (ii) \$1,710,760 for acceleration of vesting of 36,016 performance stock units.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We have policies in our Code of Business Conduct and Ethics that provide that associates must not engage in any transaction when an associate may face a real or perceived conflict of interest with the company. Our Code of Business Conduct and Ethics is distributed to all employees on an annual basis and made available throughout the year in our internal document database. It is also available on our website and in print to any stockholder who requests it. In addition, we have in place policies and procedures with respect to related person transactions that provide that our executive officers, directors, director nominees and principal stockholders, as well as their immediate family members and affiliates, are not permitted to enter into a related party transaction with us unless (i) the transaction is approved or ratified by our Audit and Finance Committee or the disinterested members of our Board or (ii) the transaction involves the service of one of our executive officers or directors or any related compensation, is reportable under Item 402 of Regulation S-K and is approved by our Compensation Committee.

For the purposes of our related party transaction policy, “related party transaction” means any transaction in which the amount involved exceeds \$120,000 in any calendar year and in which any of our executive officers, directors, director nominees and principal stockholders, as well as their immediate family members and affiliates, had, has or will have a direct or indirect material interest, other than transactions available to all of our employees.

It is our policy to approve related party transactions only when it has been determined that such transaction is in, or is not inconsistent with, our best interests and those of our stockholders, including situations where we may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when the transaction is on terms comparable to those that could be obtained in arm’s length dealings with an unrelated third party.

Memphis-Based Distribution Facility

In August 1990, we entered into an agreement to lease a distribution facility in Memphis, Tennessee. The lessor is a general partnership comprised of the estate of W. Howard Lester, our former Chairman of the Board and Chief Executive Officer, and the estate of James A. McMahan, a former Director Emeritus and significant stockholder, and two unrelated parties. The terms of the lease automatically renewed until the bonds that financed the construction of the facility were fully repaid during the second quarter of fiscal 2015. Simultaneously, we entered into an agreement with the partnership to lease the facility through July 2017. In 2017, we exercised the first of two one-year extensions available under the lease which extended the term through July 2018. We made annual rental payments of approximately \$1,599,000, including applicable taxes, insurance and maintenance expenses in fiscal 2016.

Indemnification Agreements

We have indemnification agreements with our directors and executive officers. These agreements, among other things, require us to indemnify each director and executive officer to the fullest extent permitted by Delaware law, including coverage of expenses such as attorneys’ fees, judgments, fines and settlement amounts incurred by the director or executive officer in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person’s services as a director or executive officer.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and holders of more than 10% of our common stock to file reports regarding their ownership and changes in ownership of our stock with the SEC. Based upon (i) copies of Section 16(a) reports that we received from such persons for their fiscal 2016 transactions and (ii) information provided to us by them, we believe that all reporting requirements under Section 16(a) were met in a timely manner by the persons who were executive officers, members of the Board of Directors or greater than 10% stockholders during such fiscal year.

SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT

This table sets forth information regarding the ownership of our common stock as of April 3, 2017 by:

- each person known to us to own more than 5% of our outstanding common stock;
- each director nominee;
- the Named Executive Officers; and
- all current executive officers and directors as a group.

Unless otherwise noted, the persons listed below have sole voting and investment power. In addition, unless otherwise noted, the address of each stockholder noted in the following table is c/o Williams-Sonoma, Inc., 3250 Van Ness Avenue, San Francisco, California 94109. Information regarding our non-management 5% stockholders is derived from the most recently available 13G filings.

Name and Address of Beneficial Owner	Position with Company	Amount and Nature of Beneficial Ownership			Percent of Class(2)
		Common Stock	Awards Exercisable or Vesting within 60 Days(1)	Total	
BlackRock Inc. 55 East 52 nd Street New York, NY 10055	—	8,798,236(3)	—	8,798,236(3)	10.1%
Select Equity Group, L.P. 380 Lafayette Street, 6 th Floor New York, NY 10003	—	6,948,608(4)	—	6,948,608(4)	8.0%
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	—	6,111,232(5)	—	6,111,232(5)	7.0%
Survivor's Trust created under the McMahan Family Trust dtd 1/25/84 11100 Santa Monica Blvd., Suite 1700 Los Angeles, CA 90025	—	6,103,466(6)	—	6,103,466(6)	7.0%
Capital Research Global Investors 333 South Hope Street Los Angeles, CA 90071	—	5,026,006(7)	—	5,026,006(7)	5.8%
Laura J. Alber	Director, Chief Executive Officer and President	317,654(8)	81,673	399,927	*
Julie P. Whalen	Executive Vice President, Chief Financial Officer	33,464(9)	30,412	63,876	*
James W. Brett	President, West Elm Brand	27,219(10)	36,048	63,267	*
Janet M. Hayes	President, Williams Sonoma Brand	32,776	30,998	63,774	*
Sandra N. Stangl	Former President, Pottery Barn Brands	—	—	—	—
Adrian D.P. Bellamy	Director	43,821	6,895	50,716	*
Rose Marie Bravo	Director	9,455	6,539	15,994	*

Proxy

<u>Name and Address of Beneficial Owner</u>	<u>Position with Company</u>	<u>Amount and Nature of Beneficial Ownership</u>			<u>Percent of Class(2)</u>
		<u>Common Stock</u>	<u>Awards Exercisable or Vesting within 60 Days(1)</u>	<u>Total</u>	
Anthony A. Greener	Director	32,220	9,647	41,867	*
Grace Puma	Director Nominee	—	—	—	—
Christiania Smith Shi	Director Nominee	—	—	—	—
Sabrina Simmons	Director	2,590	2,897	5,487	*
Jerry D. Stritzke	Director	507	2,897	3,404	*
Frits D. van Paasschen	Director Nominee	—	—	—	—
All current executive officers and directors as a group (13 persons)	—	620,965(12)	269,507	890,472	1.0%

* Less than 1%.

- (1) Reflects exercisable stock-settled stock appreciation rights and restricted stock units vesting within 60 days of April 3, 2017 (prior to withholding of any such shares to satisfy applicable statutory withholding requirements).
- (2) Assumes exercise, settlement or vesting of awards included in footnote (1) into shares of our common stock with respect to the named individual. Based on 86,805,366 shares outstanding as of April 3, 2017.
- (3) The information above is based on information taken from the Schedule 13G of BlackRock Inc. filed with the Securities and Exchange Commission on January 11, 2017.
- (4) The information above is based on information taken from the Schedule 13G of Select Equity Group, L.P. filed with the Securities and Exchange Commission on February 13, 2017.
- (5) The information above is based on information taken from the Schedule 13G of The Vanguard Group, Inc. filed with the Securities and Exchange Commission on February 10, 2017.
- (6) The information above is based on information taken from the Schedule 13G of Survivor's Trust created under the McMahan Family Trust dtd 1/25/84 (formerly known as McMahan Family Trust dtd 12/7/06) filed with the Securities and Exchange Commission on January 10, 2017.
- (7) The information above and in this footnote is based on information taken from the Schedule 13G filed by Capital Research Global Investors, a division of Capital Research and Management Company, with the Securities and Exchange Commission on February 13, 2017.
- (8) Includes 13,996 shares held by Ms. Alber in the Williams-Sonoma, Inc. Stock Fund under our 401(k) plan, based on a statement dated April 3, 2017.
- (9) Includes 984 shares held by Ms. Whalen in the Williams-Sonoma, Inc. Stock Fund under our 401(k) plan, based on a statement dated April 3, 2017.
- (10) Includes 2,241 shares held by Mr. Brett in the Williams-Sonoma, Inc. Stock Fund under our 401(k) plan, based on a statement dated April 3, 2017.
- (12) Includes 17,419 shares held by the executive officers in the Williams-Sonoma, Inc. Stock Fund under our 401(k) plan, based on statements dated April 3, 2017.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information regarding securities authorized for issuance under our equity compensation plans as of January 29, 2017.

<u>Plan category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)</u>	<u>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</u>
Equity compensation plans approved by security holders(1)(2)	2,636,345	\$26.02	7,370,871
Equity compensation plans not approved by security holders	—	—	—

(1) This reflects our 2001 Long-Term Incentive Plan and includes stock appreciation rights and 1,723,533 outstanding restricted stock units.

(2) The weighted average exercise price calculation does not take into account any restricted stock units as they have no purchase price.

Incentive Award Committee

Pursuant to its charter and the 2001 Long-Term Incentive Plan, the Compensation Committee may delegate the authority to make non-executive officer grants to two or more directors, one or more officers of the Company, or otherwise in any manner permitted under applicable law. The Compensation Committee does not delegate any of its authority with respect to executive officers and non-employee directors of the company. However, the Compensation Committee appointed an Incentive Award Committee consisting of Laura J. Alber and Julie P. Whalen for fiscal 2016. The Compensation Committee also delegated to Adrian D.P. Bellamy, the Chair of the Compensation Committee, and Laura J. Alber the authority to grant equity to certain non-executive employees within a stated budget in connection with the company's annual equity grants.

The Compensation Committee has delegated to the Incentive Award Committee the authority to grant equity awards under the company's 2001 Long-Term Incentive Plan to non-executive officer employees with a corporate rank at or below Senior Vice President. The Chief Executive Officer believes it is important to provide our associates with long-term incentive vehicles that are directly linked to stockholder return. Granting equity-based incentives aligns the interests of our associates with those of our stockholders and reinforces the company's pay-for-performance strategy. This delegation is reviewed by the Compensation Committee annually and includes limitations on the number of shares subject to the grants, both on an individual basis and in the aggregate. Reports of awards made by the Incentive Award Committee are included in the materials presented at the Compensation Committee's regularly scheduled meetings.

STOCKHOLDER PROPOSALS

Stockholder proposals must comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934 and be received by our Secretary at our principal executive offices no later than December 20, 2017 in order to be included in our Proxy Statement for the 2018 Annual Meeting.

In order to submit a proposal to be raised at the 2018 Annual Meeting that will not be included in our Proxy Statement for the 2018 Annual Meeting, stockholder proposals must comply with our Restated Bylaws. Under our Restated Bylaws a stockholder must give advance notice to our Secretary of any business, including nominations of directors for our Board, that the stockholder wishes to raise at our Annual Meeting. To be timely under our Restated Bylaws, the notice must be received by our Secretary not less than 90 days or more than 120 days prior to May 31, 2018, the anniversary of our 2017 Annual Meeting. Therefore, stockholder proposals must be received by our Secretary at our principal executive offices between January 31, 2018 and March 2, 2018 in order to be raised at our 2018 Annual Meeting.

Under Rule 14a-8 of the Securities Exchange Act of 1934, as amended, if the date of the 2018 Annual Meeting changes by more than 30 days from the anniversary of this year's Annual Meeting, to be included in our Proxy Statement, stockholder proposals must be received by us within a reasonable time before our solicitation is made.

Under our Restated Bylaws, if the date of the 2018 Annual Meeting changes by more than 30 days from the anniversary of this year's Annual Meeting, stockholder proposals to be brought before the 2018 Annual Meeting must be delivered not later than the 90th day prior to the 2018 Annual Meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by us.

With respect to a stockholder's nomination of a candidate for our Board, the stockholder notice to the Secretary must contain certain information as set forth in our Restated Bylaws and described under the section "Corporate Governance—Board Committees—Nominations and Corporate Governance Committee" about both the nominee and the stockholder making the nomination. With respect to any other business that the stockholder proposes, the stockholder notice must contain a brief description of such business and the reasons for conducting such business at the meeting, as well as certain other information as set forth in our Restated Bylaws.

If we receive notice of a matter to come before the 2018 Annual Meeting that is not in accordance with the deadlines described above, we will use our discretion in determining whether or not to bring such matter before the Annual Meeting. If such matter is brought before the Annual Meeting, then our proxy card for such meeting will confer upon our proxy holders discretionary authority to vote on such matter.

Stockholder proposals should be sent to: Williams-Sonoma, Inc., Attention: Corporate Secretary, 3250 Van Ness Avenue, San Francisco, California 94109.

AVAILABILITY OF PROXY STATEMENT AND ANNUAL REPORT ON FORM 10-K

Pursuant to SEC rules, we have elected to provide access to our proxy materials by notifying you of the availability of our proxy materials on the Internet. Copies of this Proxy Statement and our Annual Report on Form 10-K, including the financial statements for fiscal 2016 as filed with the SEC, are available at our website at ir.williams-sonomainc.com/financial-reports-page and upon written request and without charge to any stockholder by writing to: Williams-Sonoma, Inc., Attention: Annual Report Administrator, 3250 Van Ness Avenue, San Francisco, California 94109.

San Francisco, California
April 19, 2017

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EXHIBIT A
AMENDED AND RESTATED BYLAWS
OF
WILLIAMS-SONOMA, INC.
(Effective ~~January 27, 2016~~ _____, 2017)

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	CORPORATE OFFICES A-5
1.1	REGISTERED OFFICE. A-5
1.2	OTHER OFFICES. A-5
ARTICLE II	MEETINGS OF STOCKHOLDERS A-5
2.1	PLACE OF MEETINGS. A-5
2.2	ANNUAL MEETING. A-5
2.3	<u>STOCKHOLDER NOMINATIONS INCLUDED IN THE CORPORATION'S</u> <u>PROXY MATERIALS.</u> <u>5A-8</u>
2.4	<u>SPECIAL MEETING.</u> <u>5A-14</u>
2.4 <u>2.5</u>	<u>SUBMISSION OF QUESTIONNAIRE, REPRESENTATION AND</u> <u>AGREEMENT.</u> <u>7A-16</u>
2.5 <u>2.6</u>	<u>NOTICE OF STOCKHOLDERS' MEETINGS.</u> <u>7A-16</u>
2.6 <u>2.7</u>	<u>QUORUM.</u> <u>8A-17</u>
2.7 <u>2.8</u>	<u>ORGANIZATION.</u> <u>8A-17</u>
2.8 <u>2.9</u>	<u>CONDUCT OF BUSINESS.</u> <u>9A-17</u>
2.9 <u>2.10</u>	<u>VOTING.</u> <u>9A-17</u>
2.10 <u>2.11</u>	<u>STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A</u> <u>MEETING.</u> <u>9A-18</u>
2.11 <u>2.12</u>	<u>WAIVER OF NOTICE.</u> <u>10A-19</u>
2.12 <u>2.13</u>	<u>RECORD DATE FOR STOCKHOLDER NOTICE; VOTING.</u> <u>10A-19</u>
2.13 <u>2.14</u>	<u>PROXIES.</u> <u>11A-20</u>
ARTICLE III	DIRECTORS <u>12A-20</u>
3.1	POWERS. <u>12A-20</u>
3.2	NUMBER OF DIRECTORS. <u>12A-20</u>
3.3	ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS. <u>12A-20</u>
3.4	RESIGNATION AND VACANCIES. <u>12A-20</u>
3.5	PLACE OF MEETINGS; MEETINGS BY TELEPHONE. <u>13A-21</u>
3.6	REGULAR MEETINGS. <u>13A-21</u>
3.7	SPECIAL MEETINGS; NOTICE. <u>13A-21</u>
3.8	QUORUM AND VOTING. <u>13A-21</u>
3.9	BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING. <u>14A-21</u>
3.10	FEES AND COMPENSATION OF DIRECTORS. <u>14A-22</u>
3.11	REMOVAL OF DIRECTORS. <u>14A-22</u>
3.12	CHAIRMAN OF THE BOARD OF DIRECTORS. <u>14A-22</u>
3.13	EMERGENCY BYLAWS. <u>14A-22</u>
ARTICLE IV	COMMITTEES <u>15A-22</u>
4.1	COMMITTEES OF DIRECTORS. <u>15A-22</u>
4.2	COMMITTEE MINUTES. <u>15A-22</u>
4.3	MEETINGS AND ACTION OF COMMITTEES. <u>15A-23</u>

	<u>Page</u>
ARTICLE V OFFICERS	15A-23
5.1 OFFICERS.	15A-23
5.2 APPOINTMENT OF OFFICERS.	16A-23
5.3 SUBORDINATE OFFICERS.	16A-23
5.4 REMOVAL AND RESIGNATION OF OFFICERS.	16A-23
5.5 VACANCIES IN OFFICES.	16A-24
5.6 CHAIRMAN OF THE BOARD.	16A-24
5.7 CHIEF EXECUTIVE OFFICER.	17A-24
5.8 PRESIDENT.	17A-24
5.9 VICE PRESIDENT.	17A-24
5.10 SECRETARY.	17A-24
5.11 CHIEF FINANCIAL OFFICER.	18A-25
5.12 TREASURER.	18A-25
5.13 REPRESENTATION OF SHARES OF OTHER CORPORATIONS.	18A-25
ARTICLE VI INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS	18A-25
6.1 RIGHT TO INDEMNIFICATION.	18A-25
6.2 POWER TO ADVANCE EXPENSES.	19A-26
6.3 RIGHT OF INDEMNITEE TO BRING SUIT.	19A-26
6.4 NON-EXCLUSIVITY OF RIGHTS.	19A-26
6.5 INSURANCE.	20A-26
6.6 INDEMNIFICATION OF EMPLOYEES AND AGENTS OF THE CORPORATION.	20A-26
6.7 NATURE OF RIGHTS.	20A-26
ARTICLE VII RECORDS AND REPORTS	20A-27
7.1 MAINTENANCE OF RECORDS; STOCKLIST.	20A-27
ARTICLE VIII GENERAL MATTERS	21A-27
8.1 CHECKS.	21A-27
8.2 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS.	21A-27
8.3 STOCK CERTIFICATES.	21A-28
8.4 LOST, STOLEN OR DESTROYED CERTIFICATES.	22A-28
8.5 CONSTRUCTION; DEFINITIONS.	22A-28
8.6 DIVIDENDS.	22A-28
8.7 FISCAL YEAR.	22A-28
8.8 SEAL.	23A-29
8.9 TRANSFER OF STOCK.	23A-29
8.10 REGISTERED STOCKHOLDERS.	23A-29
8.11 TIME PERIODS.	23A-29



	<u>Page</u>
ARTICLE IX NOTICE BY ELECTRONIC TRANSMISSION	23A-29
9.1 NOTICE BY ELECTRONIC TRANSMISSION.	23A-29
ARTICLE X AMENDMENTS	24A-29
10.1 POWER OF STOCKHOLDERS.	24A-29
10.2 POWER OF DIRECTORS.	24A-29

AMENDED AND RESTATED BYLAWS

OF

WILLIAMS-SONOMA, INC.

ARTICLE I

CORPORATE OFFICES

1.1 REGISTERED OFFICE.

The registered office of the Corporation shall be fixed in the Corporation's Certificate of Incorporation, as the same may be amended from time to time.

1.2 OTHER OFFICES.

The Board of Directors may at any time establish other offices, and keep the books and records of the Corporation, except as may otherwise be required by law, at any place or places where the Corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS.

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the Board of Directors. The Board of Directors may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, or solely at any place, but may be held by means of remote communication as authorized by the Delaware General Corporation Law (the "DGCL"). In the absence of any such designation, stockholders' meetings shall be held at the registered office of the Corporation.

2.2 ANNUAL MEETING.

(a) The annual meeting of stockholders shall be held each year on a date and at a time designated by resolution of the Board of Directors. The meeting shall be for the election of directors and for the transaction of such business as may properly come before the meeting.

(b) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders only ~~(A) pursuant;~~

(A) Pursuant to the Corporation's proxy materials with respect to such meeting (or any supplement thereto), ~~(B) by;~~

(B) By or at the direction of the Board of Directors ~~or (C) by;~~

(C) By any stockholder of record (the "Record Stockholder") of the Corporation who is a stockholder of record at the time of giving such notice, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section; or

(D) Pursuant to complying with all the terms and conditions of Section 2.3.

For the avoidance of doubt, the foregoing ~~clause~~ clauses (C) and (D) shall be the exclusive means for a stockholder to make nominations or to propose business (other than business included in the Corporation's proxy materials pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (such act, and the rules and regulations promulgated thereunder, the "Exchange Act")) at an annual meeting of stockholders.

(c) For nominations or other business to be properly brought before an annual meeting by a Record Stockholder pursuant to clause (C) of the foregoing paragraph, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation, such business must be a proper subject for stockholder action, and the Record Stockholder and the beneficial owner, if any, on whose behalf any such proposal or nomination is made, must have acted in accordance with the representations set forth in the Solicitation Statement (as defined below) required by these Bylaws. To be timely, a Record Stockholder's notice shall be received by the secretary at the principal executive offices of the Corporation not less than ninety (90) nor more than one hundred twenty (120) days prior to the one-year anniversary of the preceding year's annual meeting; *provided, however*, that, subject to the last sentence of this Section 2.2(c), in the event that the annual meeting is convened more than thirty (30) days before or after such anniversary date, notice by the Record Stockholder to be timely must be so received not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the date on which public announcement (as defined below) of the date of such meeting is first made by the Corporation. In no event shall an adjournment, or postponement of an annual meeting for which notice has been given, commence a new time period (or extend any time period) for the giving of a Record Stockholder's notice as described above.

(d) Such Record Stockholder's notice shall set forth:

(A) as to each person whom the Record Stockholder proposes to nominate for election or re-election as a director (1) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in a contested election, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Exchange Act, (2) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected, (3) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships between or among such Record Stockholder and beneficial owner, if any, and their respective affiliates and associates or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including without limitation all information that would be required to be disclosed pursuant to Item 404 promulgated under Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such ~~rule~~ Item and the nominee were a director or executive officer of such registrant; and (4) with respect to each nominee for election or reelection to the Board of Directors, include a completed and signed questionnaire, representation and agreement as required by Section 2.4;

(B) as to any business that the Record Stockholder proposes to bring before the meeting, (1) a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any interest in such business of the Record Stockholder and the beneficial owner, if any, on whose behalf the proposal is made and (2) a description of all agreements, arrangements, and understandings between such Record Stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such Record Stockholder;

(C) as to the Record Stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made or the business is proposed (each, a “party”):

(1) the name and address of each such party;

(2) (A) the class, series and number of shares of capital stock of the Corporation which are owned, directly or indirectly, beneficially and of record by each such party, (B) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise (a “Derivative Instrument”) directly or indirectly owned beneficially by each such party, and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which) either party has a right to vote, directly or indirectly, any shares of any security of the Corporation, (D) any short interest in any security of the Corporation held by each such party (for purposes of this Section 2.2, a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (E) any rights to dividends on the shares of the Corporation owned beneficially directly or indirectly by each such party that are separated or separable from the underlying shares of the Corporation, (F) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which either party is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (G) any performance-related fees (other than an asset-based fee) that each such party is directly or indirectly entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of each such party’s immediate family sharing the same household (which information set forth in this paragraph shall be supplemented by such stockholder or such beneficial owner, as the case may be, not later than ten (10) days after the record date for determining the stockholders entitled to notice of the meeting and/or to vote at the meeting to disclose such ownership as of such record date);

(3) any other information relating to each such party that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act; and

(4) a statement whether or not each such party will deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of voting power of all of the shares of capital stock of the Corporation required under applicable law to carry the proposal or, in the case of a nomination or nominations, at least the percentage of voting power of all of the shares of capital stock of the Corporation reasonably believed by the Record Stockholder or beneficial holder, as the case may be, to be sufficient to elect the nominee or nominees proposed to be nominated by the Record Stockholder (such statement, a “Solicitation Statement”).

(e) The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation, including information relevant to a determination whether such proposed nominee can be considered an independent director.

(f) Notwithstanding anything in the second sentence of Section 2.2(c) of this Bylaw to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased

Board of Directors at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(g) Only such persons who are nominated in accordance with the procedures set forth in this Bylaw and Section 2.3 below shall be eligible to serve as directors and only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in these Bylaws. The chairman of the meeting shall determine whether a nomination or any business proposed to be transacted by the stockholders has been properly brought before the meeting and, if any proposed nomination or business has not been properly brought before the meeting, the chairman shall declare that such proposed business or nomination shall not be presented for stockholder action at the meeting.

(h) For purposes of this Article, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the U.S. Securities and Exchange Commission ("SEC") pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(i) Notwithstanding the foregoing provisions of this Section 2.2, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 2.2. Nothing in this Section 2.2 shall be deemed to affect any rights (A) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (B) of the Corporation to omit a proposal from the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

2.3 STOCKHOLDER NOMINATIONS INCLUDED IN THE CORPORATION'S PROXY MATERIALS.

(a) Inclusion of Nominee in Proxy Statement: Subject to the provisions and conditions of this Section 2.3, if expressly requested in the relevant Nomination Notice (as defined below), the Corporation shall include in its proxy statement for any annual meeting of stockholders:

(A) The name of any person nominated for election (the "Nominee") by any Eligible Holder (as defined below) or group of up to twenty (20) Eligible Holders (the Eligible Holder or group of up to twenty (20) Eligible Holders are the "Nominating Stockholder") that has satisfied—either individually or, in the case of a group, collectively—all applicable conditions and complied with all applicable procedures set forth in this Section 2.3 as determined by the Board of Directors or its designee, acting in good faith. The Nominee shall be included on the form of proxy and ballot for such annual meeting;

(B) Any disclosure about the Nominee and the Nominating Stockholder that is required under the rules of the SEC or other applicable law to be in such proxy statement;

(C) Any statement included by the Nominating Stockholder in the Nomination Notice to be included in the proxy statement in support of the Nominee's election to the Board of Directors subject, without limitation, to Section 2.3(e)(2) below, if such statement does not exceed five hundred (500) words; and

(D) Any other information that the Corporation or the Board of Directors determines in their discretion to include in the proxy statement relating to the nomination of the Nominee, including, but not limited to, any statement in opposition to the election of any Nominee or any of the information provided pursuant to this Section.

(b) Maximum Number of Nominees:

(A) The Corporation shall not be required to include in such proxy statement for an annual meeting of stockholders more Nominees than the number of directors who constitute twenty percent (20%) of the

total number of directors of the Corporation, rounded down to the nearest whole number but not less than two (the “Maximum Number”), on the last day on which a Nomination Notice may be submitted pursuant to this Section 2.3. The Maximum Number for a particular annual meeting shall be reduced by: (x) Nominees who are subsequently withdrawn or whom the Board of Directors, itself, decides to nominate for election at such annual meeting, and (y) the number of incumbent directors who had been Nominees pursuant to this Section 2.3 with respect to any of the preceding three (3) annual meetings of stockholders and whose reelection at the such annual meeting is being recommended by the Board of Directors. In the event that one or more vacancies occurs for any reason on the Board of Directors after the deadline set forth in Section 2.3(d) below but before the date of the annual meeting, and the Board of Directors resolves to reduce the size of the board, the Maximum Number shall be calculated based on the number of directors in office as so reduced.

(B) If the number of Nominees pursuant to this Section 2.3 for any annual meeting of stockholders exceeds the Maximum Number then, promptly upon written notice from the Corporation, each Nominating Stockholder will select—going in the order of largest to smallest amount of the ownership position as disclosed in each Nominating Stockholder’s Nomination Notice—one Nominee to be included in the proxy statement until the Maximum Number is reached with the process repeated if the Maximum Number is not reached after each Nominating Stockholder has selected one Nominee. If, after the deadline for submitting a Nomination Notice as set forth in Section 2.3(d), a Nominating Stockholder becomes ineligible or withdraws its nomination or a Nominee becomes unwilling to serve on the Board of Directors, whether before or after the mailing of the definitive proxy statement, then the nomination of the Nominee shall be disregarded, and the Corporation: (x) shall not be required to include in its proxy statement or on any ballot or form of proxy the disregarded Nominee or any successor or replacement nominee as proposed by the Nominating Stockholder or by any other Nominating Stockholder, and (y) may otherwise communicate to its stockholders, such as by revising or supplementing its proxy materials and form of proxy, that the Nominee will not be included as a Nominee in the proxy statement or on any ballot or form of proxy and will not be voted on at the annual meeting.

(c) Eligibility of Nominating Stockholder:

(A) An “Eligible Holder” is a person who either (x) has been a record holder of the shares of common stock used to satisfy the eligibility requirements in this Section 2.3(c) continuously for the three-year (3-year) period specified in subsection (ii) below, or (y) has provided evidence of continuous ownership of such shares of common stock for such three-year (3) period to the secretary of the Corporation, within the time period set forth in Section 2.3(d) below, from one or more securities intermediaries in a form that the Board of Directors or its designee, acting in good faith, determines would be deemed acceptable for purposes of a stockholder proposal under Rule 14a-8(b)(2) of the Exchange Act, or any successor rule.

(B) An Eligible Holder or group of up to twenty (20) Eligible Holders may submit a nomination in accordance with this Section 2.3 only if the person or group (in the aggregate) (x) has continuously owned at least the Minimum Number (as defined below) of shares of the Corporation’s common stock throughout the three-year (3) period that begins on, and includes, the third prior anniversary of the submission date (which shall be adjusted accordingly in the Board of Directors’ discretion for leap years) and ends on, and includes, the date of submission of the Nomination Notice, and (y) has continued to own at least the Minimum Number through the date of the applicable annual meeting. A group of funds under common management and investment control shall be treated as one Eligible Holder if such Eligible Holder shall provide together with the Nomination Notice documentation reasonably satisfactory to the Corporation that demonstrates that the funds are under common management and investment control. For the avoidance of doubt, in the event of a nomination by a group of Eligible Holders, any and all requirements and obligations for an individual Eligible Holder that are set forth in this Section 2.3 including, but not limited to, the minimum holding period shall apply to each member of such group; *provided, however*, that the Minimum Number shall apply to the ownership of the group in the aggregate. Should any stockholder withdraw from a group of Eligible Holders at any time prior to the applicable annual meeting of stockholders, the group of Eligible Stockholders shall only be deemed to own the shares held by the remaining members of the group.

(C) The “Minimum Number” of shares of the Corporation’s common stock means three percent (3%) of the number of outstanding shares of common stock as of the most recent date for which such amount is disclosed in any filing by the Corporation with the SEC prior to the submission of the Nomination Notice.

(D) For purposes of this Section 2.3, an Eligible Holder “owns” only those outstanding shares of the Corporation’s common stock as to which the Eligible Holder possesses both (x) the full voting and investment rights pertaining to such shares; and (y) the full economic interest in such shares, including the opportunity for profit and risk of loss on such shares. However, the number of shares of common stock calculated in accordance with the immediately preceding clauses (x) and (y) shall not include any shares of common stock: (1) that have been sold by such Eligible Holder or any of its affiliates in any transaction that has not settled or closed, (2) that have been borrowed by such Eligible Holder or any of its affiliates for any purpose or have been purchased by such Eligible Holder or any of its affiliates pursuant to an agreement to resell, or (3) that are subject to any option, warrant, forward contract, swap, contract of sale, or other derivative or similar agreement entered into by such Eligible Holder or any of its affiliates—regardless of whether such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of the outstanding shares of the Corporation’s common stock—where such instrument or agreement has, or is intended to have, the purpose or the effect of either (A) reducing in any manner, to any extent or at any time in the future, such Eligible Holder’s or any of its affiliates’ full right to vote or direct the voting of any such shares of the Corporation’s common stock and/or (B) hedging, offsetting, or altering to any degree, the gain or loss arising from the full economic ownership of such shares by such Eligible Holder or any of its affiliates.

An Eligible Holder “owns” shares of the Corporation’s common stock held in the name of a nominee or other intermediary so long as the Eligible Holder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. An Eligible Holder’s ownership of shares of the Corporation’s common stock shall be deemed to continue during any period in which the Eligible Holder has delegated any voting power by means of proxy, power of attorney, or other similar instrument or arrangement that is revocable at any time by the Eligible Holder. An Eligible Holder’s ownership of the shares of the Corporation’s common stock shall be deemed to continue during any period in which the Eligible Holder has loaned such shares, provided that the Eligible Holder has the power to recall such loaned shares on three (3) business days’ notice and has recalled such loaned shares as of the date the Nomination Notice is submitted to the Corporation and holds such shares through the date of the annual meeting. The terms “owned,” “owning,” and other variations of the word “own” shall have correlative meanings. Whether outstanding shares of the Corporation are “owned” for these purposes shall be determined by the Board of Directors.

(E) No person shall be permitted to be in more than one group constituting a Nominating Stockholder and, if any person appears as a member of more than one group, it shall be deemed to be a member of the group that has the largest ownership position as reflected in the Nomination Notice.

(d) Nomination Notice: To nominate a Nominee, the Nominating Stockholder must submit to the secretary of the Corporation at the principal executive offices of the Corporation all of the following information and documents (collectively, the “Nomination Notice”) no earlier than one hundred and fifty (150) calendar days, and no later than one hundred and twenty (120) calendar days, before the anniversary of the date that the Corporation mailed its proxy statement for the prior year’s annual meeting of stockholders; *provided, however*, that if, and only if, the annual meeting is convened more than thirty (30) days before or after such anniversary date, (the “Other Meeting Date”), the Nomination Notice to be timely must be received at the principal executive offices of the Corporation not later than the close of business on the later of the ninetieth (90th) day prior to such Other Meeting Date or the tenth (10th) day following the date on which public announcement (as defined above) of the date of such meeting is first made by the Corporation:

(A) A Schedule 14N (or any successor form) relating to the Nominee, completed and filed with the SEC by the Nominating Stockholder as applicable, in accordance with SEC rules;

(B) A written notice of the nomination of such Nominee that includes the following additional information, agreements, representations, and warranties by the Nominating Stockholder (including each group member):

(1) The information required with respect to the nomination of directors pursuant to Section 2.2 of these Bylaws;

(2) The details of any relationship that existed within the past three (3) years and that would have been described pursuant to Item 6(e) of Schedule 14N (or any successor Item) if it existed on the date of submission of the Schedule 14N;

(3) A representation and warranty that the Nominating Stockholder did not acquire, and is not holding, any capital stock of the Corporation, including common stock, for the purpose of or with the effect of, changing the control of, or influencing a change-of-control in, the Corporation; and

(4) A representation and warranty that the Nominee's candidacy or, if elected, Board membership would not violate applicable state or federal law or the rules of any stock exchange on which the Corporation's securities are traded;

(C) A representation and warranty that:

(1) The Nominee does not have any direct or indirect relationship with the Corporation other than those relationships that have been deemed categorically immaterial pursuant to the Corporation's applicable policies and procedures on related party transactions and independence of directors and such Nominee otherwise qualifies as independent under the rules of the primary stock exchange on which the Corporation's securities are traded;

(2) The Nominee meets the audit committee independence requirements under the rules of any stock exchange on which the Corporation's securities are traded;

(3) The Nominee is a "non-employee director" for the purposes of Rule 16b-3 under the Exchange Act (or any successor rule);

(4) The Nominee is an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code (or any successor provision);

(5) The Nominee is not and has not been subject to any event specified in Rule 506(d)(1) of Regulation D (or any successor rule) under the Securities Act of 1933 or Item 401(f) of Regulation S-K (or any successor rule) under the Exchange Act, without reference to whether the event is material to an evaluation of the ability or integrity of the Nominee;

(6) A representation and warranty that the Nominating Stockholder satisfies the eligibility requirements set forth in Section 2.2(c) and has provided evidence of ownership to the extent required by Section 2.3(c)(A);

(7) The details of any position of the Nominee as an officer or director of any competitor (that is, any entity that produces products or provides services that compete with, or are alternatives to, the principal products produced or services provided by the Corporation or its affiliates) of the Corporation, within the three (3) years preceding the submission of the Nomination Notice;

(8) A representation and warranty that the Nominating Stockholder will not "solicit" or engage in a "solicitation" within the meanings of Rule 14a-1(l) (without reference to the exception in Rule 14a-1(l)(2)(iv)) (or any successor rules) with respect to the annual meeting, other than with respect to the Nominee or any nominee of the Board of Directors;

(9) A representation and warranty that the Nominating Stockholder will not use any proxy card other than the Corporation's proxy card or any other proxy materials other than the Corporation's proxy materials in soliciting stockholders in connection with the election of a Nominee at the annual meeting;

(10) A statement, if desired, for inclusion in the proxy statement in support of the Nominee's election to the Board of Directors, provided that such statement shall not exceed five hundred (500) words and shall fully comply with Section 14 of the Exchange Act and the rules and regulations thereunder, including Rule 14a-9;

(11) The designation by all group members, in the case of a nomination by a group, of one group member that is authorized to act on behalf of all group members with respect to matters relating to the nomination, including withdrawal of the nomination;

(12) An executed agreement, in a form deemed satisfactory by the Board of Directors or its designee, acting in good faith, pursuant to which the Nominating Stockholder (including each group member) agrees:

(A) To comply with all applicable laws, rules, and regulations in connection with the nomination, solicitation, and election;

(B) To file any written solicitation or other communication with the Corporation's stockholders relating to one or more of the Corporation's directors or director nominees or any Nominee with the SEC, regardless of whether any such filing is required under rule or regulation or whether any exemption from filing is available for such materials under any rule or regulation;

(C) To assume all liability stemming from any action, suit, or proceeding concerning any actual or alleged legal or regulatory violation arising out of any communication by the Nominating Stockholder with the Corporation, its stockholders, or any other person in connection with the nomination or election of directors including, but not limited to, the Nomination Notice;

(D) To indemnify and hold harmless (jointly with all other group members, in the case of a group member) the Corporation and each of its directors, officers, employees, and other agents and advisors, individually, against any liability, loss, damages, expenses, or other costs (including attorneys' fees) incurred in connection with any threatened or pending action, suit, or proceeding, whether legal, administrative, or investigative, against the Corporation or any of its directors, officers, employees, and other agents and advisors arising out of, or relating to, a failure or alleged failure of the Nominating Stockholder to comply with, or any breach or alleged breach of, its obligations, agreements, or representations under this Section 2.3; and

(E) To promptly notify the Corporation no later than forty-eight (48) hours after discovering the following and, within the same time period, of what is required to correct the following:

(1) If any information included in the Nomination Notice—or any other communication by the Nominating Stockholder (including with respect to any group member) with the Corporation, its stockholders, or any other person in connection with the nomination or election—ceases to be true and accurate in all material respects or, due to a subsequent development, such information or communication omits a material fact necessary to make such information or communication not misleading; or

(2) If any Nominating Stockholder (including any group member) has failed to continue to satisfy the eligibility requirements described in Section 2.3(c); and

(13) An executed agreement, in a form deemed satisfactory by the Board of Directors or its designee, acting in good faith, whereby the Nominee:

(A) Agrees to provide to the Corporation such other information, including completing the Corporation's director questionnaire, as it may reasonably request;

(B) Agrees, if elected to serve as a member of the Board of Directors, to adhere to the Corporation's corporate governance guidelines and code of business conduct and ethics, and any other Corporation policy and/or guideline applicable to directors; and

(C) Agrees that the Nominee is not and will not become a party to (x) any compensatory, payment, or other financial agreement, arrangement, or understanding with any person or entity in connection with service or action as a director of the Corporation that has not been disclosed to the Corporation, (y) any agreement, arrangement, or understanding with any person or entity as to how the Nominee would vote or act on any issue or question as a director (a "Voting Commitment") that has not been disclosed to the Corporation, or (z) any Voting Commitment that could limit or interfere with the Nominee's ability to comply with his or her fiduciary duties under applicable law if elected as a director of the Corporation.

The information, agreements, and documents required by this Section 2.3(d) shall be provided with respect to, and executed by, each group member in the case of information applicable to group members, and, further, shall be provided with respect to the persons specified in Instruction 1 to Items 6(c) and 6(d) of Schedule 14N (or any successor item) in the case of a Nominating Stockholder or group member that is an entity. The Nomination Notice shall be deemed submitted on the date on which all the information and documents referred to in this Section 2.3(d) (other than such information, agreements, and documents contemplated to be provided after the date the Nomination Notice is provided) have been delivered to or, if sent by mail, received by the secretary of the Corporation.

(e) Exceptions:

(A) Notwithstanding anything to the contrary contained in this Section 2.3, the Corporation may omit any Nominee and any information concerning such Nominee (including a Nominating Stockholder's statement in support) from its proxy statement, proxy card, or other proxy materials; no vote on such Nominee will occur notwithstanding that proxies in respect of such vote may have been received by the Corporation; and, after the last day on which a Nomination Notice would be timely, the Nominating Stockholder may not cure in any way any defect preventing the nomination of the Nominee, if:

(1) The Corporation receives a notice pursuant to Section 2.2 of these Bylaws that a stockholder intends to nominate a candidate for director at the annual meeting;

(2) The Nominating Stockholder or the designated lead group member, as applicable, or any qualified representative thereof, does not appear at the meeting of stockholders to present the nomination submitted pursuant to this Section 2.3 or the Nominating Stockholder withdraws its nomination;

(3) The Board of Directors, acting in good faith, determines that such Nominee's nomination or election to the Board of Directors would result in the Corporation violating or failing to be in compliance with the Corporation's bylaws or certificate of incorporation or any applicable law, rule, or regulation to which the Corporation is subject, including any rules or regulations of any stock exchange on which the Corporation's securities are traded;

(4) The Nominee was nominated for election to the Board of Directors pursuant to this Section 2.3 at one of the Corporation's two preceding annual meetings of stockholders and either withdrew or became ineligible or received a vote of less than twenty-five percent (25%) of the shares of common stock entitled to vote for such Nominee;

(5) The Nominee either (x) has been an officer or director of a competitor, as defined for purposes of Section 8 of the Clayton Antitrust Act of 1914, as amended, within the past three (3) years, or (y) currently is a director, trustee, officer, or employee with management functions for any depository institution, depository institution holding company or entity that has been designated as a Systemically Important Financial

Institution, each as defined in the Depository Institution Management Interlocks Act; *provided, however*, that this clause (y) shall apply only so long as the Corporation is subject to compliance with Section 164 of the Dodd-Frank Wall Street Reform and Consumer Protection Act; or

(6) The Corporation is notified, or the Board of Directors acting in good faith determines, either (x) that the Nominating Stockholder has failed to continue to satisfy the eligibility requirements described in Section 2.3(c), (y) that any of the representations and warranties made in the Nomination Notice ceases to be true and accurate in all material respects (or such Nomination Notice omits a material fact necessary to make the statement not misleading), or (z) that the Nominee is unwilling or unable to serve on the Board of Directors or any material violation or breach occurs of the obligations, agreements, representations, or warranties of the Nominating Stockholder or the Nominee under this Section 2.3.

(B) Notwithstanding anything to the contrary contained in this Section 2.3, the Corporation may omit from its proxy statement, proxy card, or proxy materials, or may supplement or correct, any information, including all or any portion of the statement in support of the Nominee included in the Nomination Notice, if the Board of Directors, or its designee, in good faith determines that:

(1) Such information is not true in all material respects or such information omits a material statement necessary to make the statements made not misleading;

(2) Such information, without factual foundation, directly or indirectly either impugns the character, integrity, or personal reputation, or makes charges concerning improper, illegal, or immoral conduct or associations, with respect to any person; or

(3) Such information would otherwise violate the SEC proxy rules or any other applicable law, rule, or regulation when included in the Corporation's proxy statement, proxy card, or proxy materials.

The Company may solicit against, and include in the proxy statement or other proxy materials its own statement relating to, any Nominee.

2.4 ~~2.3~~ SPECIAL MEETING.

(a) A special meeting of the stockholders may be called at any time by the Board of Directors acting pursuant to a resolution adopted by a majority of the Whole Board (for purposes of these Bylaws, the term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships), the chairman of the Board of Directors and the chief executive officer, and special meetings may not be called by any other person or persons; *provided, however*, that special meetings of the stockholders of the Corporation may be called by the secretary of the Corporation following his or her receipt at the principal executive offices of the Corporation of one or more written demands to call a special meeting of the stockholders submitted by or on behalf of the holder or holders of record of at least ten percent (10%) of the total voting power of all issued and outstanding shares of capital stock of the Corporation entitled to vote generally in the election of the Board of Directors (the "Requisite Percentage"); *provided*, that such stockholder demand or demands shall have been submitted in accordance with and in the form required by Article X of the Certificate of Incorporation and these Bylaws. Special meetings of the stockholders of the Corporation (including those called by the secretary following receipt of a written demand or demands from stockholders holding the Requisite Percentage) shall be held on such date, at such time, and at such place, if any, as shall be designated by the Board of Directors and stated in the Corporation's notice of meeting. In the case of a special meeting called by the secretary following receipt of a written demand or demands from stockholders holding the Requisite Percentage, the date of such special meeting, as fixed by the Board of Directors in accordance with Article X of the Certificate of Incorporation and these Bylaws, shall not be fewer than thirty (30) days nor more than ninety (90) days (the "Outside Date") after the date a demand or demands by stockholders holding the Requisite Percentage have been received by the secretary of the Corporation at the principal executive offices of the

Corporation in accordance with Article X of the Certificate of Incorporation and these Bylaws. To be in proper form, a demand or demands from stockholders holding the Requisite Percentage shall include the information, documents and instruments specified in Section 2.32.4(c) of these Bylaws. The Board of Directors may postpone or reschedule any previously scheduled special meeting; *provided, however*, that the Board of Directors may not reschedule a special meeting called in response to a written demand or demands to call such meeting received by the secretary from stockholders holding the Requisite Percentage nor may the Board of Directors postpone such meeting beyond the Outside Date.

(b) Only such business shall be conducted at a special meeting of stockholders as shall be stated in the notice of the special meeting. The notice of a special meeting shall include the purpose for which the meeting is called.

(c) To be in proper form, a demand or demands from stockholders holding the Requisite Percentage shall set forth: (A) the purpose or purposes for which the special meeting is to be called; (B) as to each purpose for which the special meeting is to be called, (1) a reasonably brief description of such purpose, (2) a reasonably brief description of the specific proposal to be made or business to be conducted at the special meeting in connection with such purpose, (3) the text of any proposal or business to be considered at the special meeting in connection with such purpose (including the text of any resolutions proposed for consideration and if such business includes a proposal to amend these Bylaws, the language of the proposed amendment), and (4) the reasons for calling a special meeting of stockholders for such purpose; (C) any material interest of the stockholder, and of the beneficial owner, if any, on whose behalf the demand is made, in such proposal or business to be considered at the special meeting; (D) a description of all agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal or business to be considered at the special meeting; (E) a representation that the stockholder is a holder of record of stock of the Corporation, entitled to vote at such meeting, and intends to appear in person or by proxy at the meeting to propose such business set forth in the demand required by Section 2.32.4(a) of these Bylaws; (F) a representation as to whether the stockholder or the beneficial owner, if any, intends, or is or intends to be part of a group that intends, (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt any proposal set forth in the demand required by Section 2.32.4(a) of these Bylaws and/or (2) otherwise to solicit proxies from stockholders in support of any proposal set forth in the demand required by this Section 2.32.4(c); (G) as to the stockholder making a demand pursuant to Section 2.32.4(a) of these Bylaws and the beneficial owner, if any, on whose behalf the demand is made, the information set forth in Section 2.2(d)(C)(1)-(4) and (H) if a purpose for which the special meeting is to be called is the election of one or more directors to the Board of Directors, the name of each person the stockholder making a demand pursuant to Section 2.32.4(a) of these Bylaws and the beneficial owner, if any, propose to nominate at the special meeting for election to the Board of Directors (each, a "nominee"), and as to each such nominee, all information that would be required to be set forth in a stockholder's notice for nominations of directors at annual meetings of stockholders of stockholders as set forth in Section 2.2(d)(A) of these Bylaws.

(d) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (A) by or at the direction of the Board of Directors or (B) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any Record Stockholder who is entitled to vote at the meeting and upon such election and who delivers a written notice to the secretary setting forth the information set forth in Section 2.2(d)(A) and (C). Nominations by Record Stockholders of persons for election to the Board of Directors may be made at such a special meeting of stockholders only if such Record Stockholder's notice required by the preceding sentence shall be received by the secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to the date of such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to the date of such special meeting or, if the first public announcement of the date of such special meeting is less than one hundred (100) days prior to the date of such special meeting, the tenth (10th) day following the day on which public

announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall an adjournment, or postponement of a special meeting for which notice has been given, commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(e) Only such persons who are nominated in accordance with the procedures set forth in this Bylaw shall be eligible to serve as directors and only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in these Bylaws. The chairman of the meeting shall determine whether a nomination or any business proposed to be transacted by the stockholders has been properly brought before the meeting and, if any proposed nomination or business has not been properly brought before the meeting, the chairman shall declare that such proposed business or nomination shall not be presented for stockholder action at the meeting.

(f) Notwithstanding the foregoing provisions of this Section ~~2.3.2.4~~, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section ~~2.3.2.4~~. Nothing in this Section ~~2.3.2.4~~ shall be deemed to affect any rights (A) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (B) of the Corporation to omit a proposal from the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

2.5 ~~2.4~~ SUBMISSION OF QUESTIONNAIRE, REPRESENTATION AND AGREEMENT.

To be eligible to be a nominee for election or reelection as a director of the Corporation, a person must deliver (in accordance with the time periods prescribed for delivery of notice under Sections ~~2.2.2, 2.3~~ and ~~2.3.2.4~~ of these Bylaws to the secretary at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the secretary upon written request) and a written representation and agreement (in the form provided by the secretary upon request) that such person (a) is not and will not become a party to (A) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (B) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (b) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, and (c) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation.

2.6 ~~2.5~~ NOTICE OF STOCKHOLDERS' MEETINGS.

Notice of the place, if any, date, and time of all meetings of the stockholders, the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and the record date for determining the stockholders entitled to vote at the meeting, if such date is different from the record date for determining stockholders entitled to notice of the meeting, shall be given, not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the DGCL or the Certificate of Incorporation of the Corporation).

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken; *provided, however*, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, notice of the place, if any, date, and time of the adjourned meeting and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting, shall be given to each stockholder in conformity herewith. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

2.7 ~~2.6~~ QUORUM.

At any meeting of stockholders, the holders of a majority of voting power entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business, except to the extent that the presence of a larger number may be required by law or the rules of any stock exchange upon which the Corporation's securities are listed. Where a separate vote by a class or classes or series is required, a majority of the outstanding voting power of such class or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to such matter. If a quorum is not present or represented at any meeting of stockholders, then the chairman of the meeting or the holders of a majority of the voting power entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time in accordance with Section ~~2.5.2.6~~.

2.8 ~~2.7~~ ORGANIZATION.

Such person as the Board of Directors may have designated or, in the absence of such a person, the Chairman of the Board or, in his or her absence, the President of the Corporation or, in his or her absence, such person as may be chosen by the holders of a majority of the shares entitled to vote at any meeting of stockholders, present, in person or represented by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the secretary of the Corporation, the secretary of the meeting shall be such person as the chairman of the meeting appoints.

2.9 ~~2.8~~ CONDUCT OF BUSINESS.

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including the manner of voting and the conduct of business. The chairman shall have the power to adjourn the meeting to another place, if any, date and time. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

2.10 ~~2.9~~ VOTING.

(a) Except as may be otherwise provided in the Certificate of Incorporation or by law, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

(b) All matters other than the election of directors shall be determined by the affirmative vote of holders of a majority of voting power entitled to vote thereon, present in person or represented by proxy, except to the extent that the vote of a larger number may be required by law or the rules of any stock exchange upon which the Corporation's securities are listed. Where a separate vote by class or classes or series is required, all matters other than the election of directors shall be determined by the affirmative vote of holders of a majority of voting power of that class or classes or series entitled to vote thereon, present in person or represented by proxy, except to the extent that the vote of a larger number may be required by law or the rules of any stock exchange upon which the Corporation's securities are listed.

(c) Except as provided in Section 3.4 of these Bylaws and Section 2.10(c)(B) below, each director shall be elected by the vote of the majority of the votes cast ~~with respect to~~ in favor of, or in approval of, the director at any meeting for the election of directors at which a quorum is present; ~~provided, however, that;~~ provided, however:

(A) That at any meeting of stockholders at which a quorum is present and for which the secretary of the Corporation determines that the number of nominees exceeds the number to be elected as of the record date for such meeting, the directors shall be elected by each director shall be elected by the vote of the plurality of the shares, present in person or represented by proxy and entitled to vote on the election of directors.

(B) That at any annual meeting of stockholders at which a quorum is present and for which the secretary of the Corporation determines that the number of nominees exceeds the number to be elected as of the record date for such meeting, and the secretary of the Corporation determines the circumstances of such an excess of nominees is due to Nominees having satisfied all of the terms conditions of Section 2.3 and, as such, the Nominees will be duly included as nominees the Company's proxy materials for the applicable annual meeting, each director shall be elected by the vote of the majority of the votes cast in favor of, or in approval of, the director.

For purposes of this section, a majority of the votes cast means that the number of shares voted "for" a director must exceed the number of votes cast "against" that director. Votes cast shall include votes "for" and "against" a nominee and exclude "abstentions" and "broker non-votes" with respect to that nominee's election. The Nominations and Corporate Governance Committee has established procedures under which any director who is not elected by a majority of votes cast shall promptly tender his or her resignation to the Board of Directors following certification of the stockholder vote. The Nominations and Corporate Governance Committee shall consider the resignation offer and recommend to the Board of Directors the action to be taken with respect to the offered resignation. In determining its recommendation, the Nominations and Corporate Governance Committee shall consider all factors it deems relevant.

2.11 ~~2.10~~ STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Any action which may be taken at an annual or special meeting of stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be ~~(a)~~ signed by the holders of record on the record date (established in the manner set forth in Section ~~2.12~~ 2.13(b)) of outstanding shares of the Corporation having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, *provided, however*, that in the case of the election or removal of directors by written consent, such consent shall be effective only if signed by the holders of all outstanding shares entitled to vote for the election of directors, and (b) delivered to the Corporation in accordance with Section 228 of the DGCL.

Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the date the earliest dated consent is delivered to the Corporation, a written consent or consents signed by a sufficient number of holders to take action are delivered to the Corporation in the manner prescribed in this ~~Section 2.10~~ 2.11.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing (including by electronic mail or other electronic transmission as permitted by law). If the action which is consented to is such as would have required the filing of a certificate under any section of the DGCL if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written notice and written consent have been given as provided in Section 228 of the DGCL.

2.12 ~~2.11~~ WAIVER OF NOTICE.

Whenever notice is required to be given under any provision of the DGCL or of the Certificate of Incorporation or these Bylaws to a stockholder, a written waiver thereof, signed by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or these Bylaws.

2.13 ~~2.12~~ RECORD DATE FOR STOCKHOLDER NOTICE; VOTING.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may, except as otherwise required by law, fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance with the foregoing provisions of this Section at the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the attention of the ~~Secretary~~secretary of the Corporation, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within ten days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in

respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

2.14 ~~2.13~~ PROXIES.

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by a proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A stockholder may authorize such person or persons to act for such stockholder as proxy by written proxy signed by the stockholder and filed with the secretary of the Corporation or such other means deemed valid pursuant to the provisions of Section 212 of the DGCL. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(e) of the DGCL.

ARTICLE III

DIRECTORS

3.1 POWERS.

Subject to the provisions of the DGCL and any limitations in the Certificate of Incorporation or these Bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.

3.2 NUMBER OF DIRECTORS.

Subject to the rights of the holders of any series of preferred stock to elect directors under specified circumstances, the number of directors shall be not less than seven (7) nor more than thirteen (13) directors. The exact number of directors within the limits specified shall be set, and may be changed from time to time, by a resolution duly adopted by the Board of Directors or the stockholders. The limits may be changed, or a single number fixed without provision for variation, by an amendment to these bylaws duly adopted by the vote or written consent of a majority of the outstanding shares entitled to vote.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS.

The directors shall be elected at each annual meeting of stockholders but, if any such annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of stockholders held for that purpose. Each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

3.4 RESIGNATION AND VACANCIES.

Subject to the rights of the holders of any series of preferred stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise required by law or by resolution of the Board of Directors, be filled only by a majority vote of the directors then in office, though less than a quorum (and not by the stockholders), and directors so chosen shall serve for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires or until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors shall shorten the term of any incumbent director.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE.

The Board of Directors of the Corporation may hold meetings, both regular and special, either within or outside the State of Delaware, at such place which has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, then such meeting shall be held at the principal executive office of the Corporation or such other place determined by the Board of Directors. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 REGULAR MEETINGS.

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

3.7 SPECIAL MEETINGS; NOTICE.

Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the chairman of the Board of Directors, the president, any vice president, the secretary or any two directors.

Notice of the time and place of special meetings shall be (i) delivered personally by courier or telephone to each director, (ii) sent by first-class mail, postage prepaid, (iii) sent by facsimile, or (iv) by electronic mail, directed to each director at that director's address, telephone number, facsimile number or electronic mail address as it is shown on the records of the Corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or (iii) sent by electronic mail, it shall be delivered at least twenty-four (24) hours before the time of the holding of the meeting, or on such shorter notice as the person or persons calling such meeting may deem necessary and appropriate in the circumstances. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. Notice of any meeting need not be given to any director who shall, either before or after the meeting, submit a waiver of such notice or who shall attend such meeting except attendance for the express purpose of objecting at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened. The notice need not specify the purpose of the meeting, and unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

3.8 QUORUM AND VOTING.

At all meetings of the Board of Directors, at least one-third ($\frac{1}{3}$) of the Whole Board shall constitute a quorum for the transaction of business and the vote of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by law or by the Certificate of Incorporation. If a quorum is not present at any meeting of the Board of Directors, then the majority of directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

3.9 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in

writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

3.10 FEEES AND COMPENSATION OF DIRECTORS.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. No such compensation shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

3.11 REMOVAL OF DIRECTORS.

Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

3.12 CHAIRMAN OF THE BOARD OF DIRECTORS.

The Corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board of Directors.

3.13 EMERGENCY BYLAWS.

To the fullest extent permitted by law, in the event of any emergency, disaster or catastrophe, as referred to in Section 110 of the DGCL, or other similar emergency condition, the Board of Directors may adopt emergency bylaws.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS.

The Board of Directors may, by resolution passed by a majority of the Whole Board, designate one or more committees, with each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the Whole Board. Any such committee, to the extent provided in the resolution of the Board of Directors or in the Bylaws of the Corporation, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (a) approve or adopt or recommend any action or matter (other than election or removal of directors) expressly required by the DGCL to be submitted to stockholders or (b) amend the Bylaws of the Corporation.

4.2 COMMITTEE MINUTES.

Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES.

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings. One-third ($\frac{1}{3}$) of the members shall constitute a quorum unless the committee shall consist of one or two members, in which event one member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of the proceedings of such committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

ARTICLE V

OFFICERS

5.1 OFFICERS.

The officers of the Corporation shall consist of a chairman of the Board of Directors or a chief executive officer, or both, a president, a secretary, a chief financial officer, a treasurer and such additional officers as may be elected or appointed in accordance with Section 5.3 of these Bylaws and as may be necessary to enable the Corporation to sign instruments and share certificates. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS.

All officers of the Corporation, except such officers as may be otherwise appointed in accordance with Section 5.3, shall be chosen by the Board of Directors, and shall serve at the pleasure of the Board of Directors, subject to the rights, if any, of an officer under any contract of employment.

5.3 SUBORDINATE OFFICERS.

The Board of Directors, the chairman of the Board of Directors, he or the president at their or his discretion, may appoint one (1) or more vice presidents, one (1) or more assistant secretaries, a treasurer, one (1) or more assistant treasurers, or such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors, the chairman of the Board of Directors or the president, as the case may be, may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the Board of Directors or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Any officer may resign at any time by giving notice in writing or by electronic transmission to the Board of Directors or to the president, or to the secretary of the Corporation without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective.

5.5 VACANCIES IN OFFICES.

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

5.6 CHAIRMAN OF THE BOARD.

The chairman of the Board of Directors, if there shall be such an officer, shall, if present, preside at all meetings of the Board of Directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors. If there is no chief executive officer, the chairman of the Board of Directors shall in addition be the chief executive officer of the Corporation and shall have the powers and duties prescribed in Section 5.7 below.

5.7 CHIEF EXECUTIVE OFFICER.

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the Board of Directors, if there be such an officer, the chief executive officer shall be the general manager of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and affairs of the corporation. The chief executive officer shall preside at all meetings of the stockholders and, in the absence of the chairman of the Board of Directors, or if there be none, at all meetings of the Board of Directors. The chief executive officer shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or these bylaws.

5.8 PRESIDENT.

Subject to the discretion of the Board of Directors to elect or not elect a chief executive officer and to the supervisory powers of the chief executive officer in the event of such election, the president, if any, will act in a general executive capacity and will assist the chief executive officer in the administration, operation and general supervision of policies and affairs of the corporation. The president will have such other powers and be subject to such other duties as the Board of Directors or the chairman of the Board of Directors or the chief executive officer may from time to time prescribe.

5.9 VICE PRESIDENT.

In the absence of the president or in the event of the president's inability or refusal to act, the vice president, or in the event there be more than one (1) vice president, the vice president designated by the Board of Directors, or if no such designation is made, the most senior vice president in order of their election, shall perform the duties of president and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. Any vice president shall perform such other duties as from time to time may be assigned to such vice president by the president or the Board of Directors.

5.10 SECRETARY.

The secretary shall keep or cause to be kept the minutes of proceedings and records of the Board of Directors and stockholders.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required by these Bylaws or by law to be given, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors.

5.11 CHIEF FINANCIAL OFFICER.

The chief financial officer shall have general supervision, direction and control of the financial affairs of the Corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws. In the absence of a named treasurer, the chief financial officer shall also have the powers and duties of the treasurer as hereinafter set forth and shall be authorized and empowered to sign as treasurer in any case where such officer's signature is required.

5.12 TREASURER.

The treasurer shall keep or cause to be kept the accounting books and other accounting records as provided for and in accordance with Section 7.1 of these Bylaws. The accounting books shall at all reasonable times be open to inspection by any director.

The treasurer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the president and directors, whenever they request it, an account of all of his or her transactions as treasurer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws. In the absence of a named chief financial officer, the treasurer shall be deemed to be the chief financial officer and shall have the powers and duties of such office as hereinabove set forth.

5.13 REPRESENTATION OF SHARES OF OTHER CORPORATIONS.

The chairman of the Board of Directors, if any, the president or any vice president of the Corporation, or any other person authorized to do so by the chairman of the Board of Directors, the president or any vice president, is authorized to vote, represent, and exercise on behalf of the Corporation all rights incident to any and all shares of any other corporation or corporations held by the Corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by the person having such authority.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

6.1 RIGHT TO INDEMNIFICATION.

Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director or an officer of the Corporation or is or was serving (during such person's tenure as director or officer) at the request of the Corporation as a director, officer or trustee of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer or trustee or in any other capacity while serving as a director, officer or trustee, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by Delaware law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; *provided, however*, that, except as provided in Section 6.3

of this Article VI with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

6.2 POWER TO ADVANCE EXPENSES.

The Corporation shall have the power to advance expenses to any person to the fullest extent permitted by law.

6.3 RIGHT OF INDEMNITEE TO BRING SUIT.

If a claim under Section 6.1 of this Article VI is not paid in full by the Corporation within ninety (90) days after a written claim has been received by the Corporation, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. To the fullest extent permitted by law, if successful in whole or in part in any such suit, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In any suit brought by the indemnitee to enforce a right to indemnification hereunder it shall be a defense that the indemnitee has not met any applicable standard for indemnification set forth in the DGCL. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification hereunder, the burden of proving that the indemnitee is not entitled to be indemnified, under this Article VI or otherwise shall be on the Corporation.

6.4 NON-EXCLUSIVITY OF RIGHTS.

The rights to indemnification conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under any law, the Corporation's Certificate of Incorporation, Bylaws, agreement, vote of stockholders or directors or otherwise.

6.5 INSURANCE.

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

6.6 INDEMNIFICATION OF EMPLOYEES AND AGENTS OF THE CORPORATION.

The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent permitted by law.

6.7 NATURE OF RIGHTS.

The rights conferred upon indemnitees in this Article VI shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer or trustee and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article VI that

adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit, eliminate, or impair any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE OF RECORDS; STOCKLIST.

The Corporation shall, either at its principal executive offices or at such place or places as designated by the Board of Directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these Bylaws as amended to date, accounting books, and other records.

The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting; *provided, however*, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the meeting date, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the Corporation's principal place of business. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

ARTICLE VIII

GENERAL MATTERS

8.1 CHECKS.

From time to time, the Board of Directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the Corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS.

The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 STOCK CERTIFICATES.

The shares of the Corporation shall be represented by certificates, provided that the Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Each holder of stock represented by certificates shall be entitled to a certificate signed by, or in the name of the Corporation by, the chairman or vice chairman of the Board of Directors, or the president or a vice president, and by the secretary or an assistant secretary of the Corporation, certifying the number of shares owned by him or her. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue. Notwithstanding any other provision in these Bylaws, the Corporation may adopt a system of issuance, recordation and transfer of shares of the Corporation by electronic or other means not involving any issuance of certificates, including provisions for notice to purchasers in substitution for any required statements on certificates, and as may be required by applicable corporate securities laws, which system has been approved by the Securities and Exchange Commission. Any system so adopted shall not become effective as to issued and outstanding certificated securities until the certificates therefor have been surrendered to the Corporation.

8.4 LOST, STOLEN OR DESTROYED CERTIFICATES.

Except as provided in this Section 8.4, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and canceled at the same time. The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate previously issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or the owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.5 CONSTRUCTION; DEFINITIONS.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the DGCL shall govern the construction of these Bylaws. Without limiting the generality of this provision, the masculine gender includes the feminine and neuter, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.6 DIVIDENDS.

The directors of the Corporation, subject to any restrictions contained in (a) the DGCL or (b) the Certificate of Incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the Corporation's capital stock.

The directors of the Corporation may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the Corporation, and meeting contingencies.

8.7 FISCAL YEAR.

The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors and may be changed by the Board of Directors.

8.8 SEAL.

The Corporation may adopt a corporate seal, which may be altered at pleasure, and may use the same by causing it or a facsimile thereof, to be impressed or affixed or in any other manner reproduced.

8.9 TRANSFER OF STOCK.

Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares, if one has been issued, duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.10 REGISTERED STOCKHOLDERS.

The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

8.11 TIME PERIODS.

In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the date of the event shall be included.

ARTICLE IX

NOTICE BY ELECTRONIC TRANSMISSION

9.1 NOTICE BY ELECTRONIC TRANSMISSION.

Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the Certificate of Incorporation or these Bylaws, any notice shall be effective if given by a form of electronic transmission in the manner provided in Section 232 of the DGCL.

ARTICLE X

AMENDMENTS

10.1 POWER OF STOCKHOLDERS.

New Bylaws may be adopted or these Bylaws may be amended or repealed by the affirmative vote of the holders of at least a majority of voting power entitled to vote generally in the election of directors, except as otherwise provided by law or by the Certificate of Incorporation.

10.2 POWER OF DIRECTORS.

Subject to the right of stockholders as provided in Section 10.1 to adopt, amend or repeal Bylaws, any Bylaw may be adopted, amended or repealed by the Board of Directors. A Bylaw amendment adopted by stockholders which specifies the votes that shall be necessary for the election of directors shall not be further amended or repealed by the Board of Directors.

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DIRECTOR NOMINEES AND EXECUTIVE OFFICERS

ADRIAN D. P. BELLAMY

Chairman of the Board of Directors

LAURA J. ALBER

Director, President and Chief Executive Officer

ROSE MARIE BRAVO CBE

Director

ANTHONY A. GREENER

Director

GRACE PUMA

Director Nominee

CHRISTIANA SMITH SHI

Director Nominee

SABRINA SIMMONS

Director

JERRY D. STRITZKE

Director

FRITS D. VAN PAASSCHEN

Director Nominee

JAMES W. BRETT

President, West Elm Brand

JANET M. HAYES

President, Williams Sonoma Brand

DAVID R. KING

Senior Vice President, General Counsel
and Secretary

JULIE P. WHALEN

Executive Vice President, Chief Financial Officer

CORPORATE INFORMATION

CORPORATE HEADQUARTERS

Williams-Sonoma, Inc.
3250 Van Ness Avenue
San Francisco, California 94109

STOCK EXCHANGE LISTING

New York Stock Exchange
Symbol: WSM

CORPORATE WEBSITE

williams-sonomainc.com

STOCKHOLDER/INVESTOR INFORMATION

ir.williams-sonomainc.com

ANNUAL MEETING

Wednesday, May 31, 2017
starting at 9:00 a.m. at:
Williams-Sonoma, Inc.
3250 Van Ness Avenue
San Francisco, California 94109

TRANSFER AGENT

Wells Fargo Shareowner Services
P.O. Box 64854
St. Paul, Minnesota 55164
800-468-9716 – shareowneronline.com

**INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

Deloitte & Touche LLP
555 Mission Street
San Francisco, California 94105

TRADEMARKS

Pottery Barn, Pottery Barn Kids, PBteen,
Williams Sonoma, Williams Sonoma Home,
West Elm, Mark and Graham, Rejuvenation

WILLIAMS-SONOMA, INC.

POTTERY BARN POTTERY BARN KIDS PBTEEN WILLIAMS SONOMA WILLIAMS SONOMA HOME WEST ELM MARK AND GRAHAM REJUVENATION

WSI

WILLIAMS-SONOMA, INC.

2016 ANNUAL REPORT

ANNUAL MEETING OF STOCKHOLDERS

