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FORM 10-Q

WILLIAMS SONOMA INC - WSM

Filed: June 14, 2013 (period: May 05, 2013)

Quarterly report with a continuing view of a company's financial position

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 5, 2013.

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

94-2203880

(State or other jurisdiction of incorporation or organization)

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

3250 Van Ness Avenue, San Francisco, CA

94109

(Address of principal executive offices)

(Zip Code)

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

(Former name, former address and former fiscal year, if changed since last report)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of June 2, 2013, 97,183,889 shares of the registrant's Common Stock were outstanding.

WILLIAMS-SONOMA, INC.
REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MAY 5, 2013

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

	<u>PAGE</u>
Item 1. Financial Statements	2
Condensed Consolidated Statements of Earnings for the Thirteen Weeks Ended May 5, 2013 and April 29, 2012	2
Condensed Consolidated Statements of Comprehensive Income for the Thirteen Weeks Ended May 5, 2013 and April 29, 2012	2
Condensed Consolidated Balance Sheets as of May 5, 2013, February 3, 2013 and April 29, 2012	3
Condensed Consolidated Statements of Cash Flows for the Thirteen Weeks Ended May 5, 2013 and April 29, 2012	4
Notes to Condensed Consolidated Financial Statements	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3. Quantitative and Qualitative Disclosures About Market Risk	18
Item 4. Controls and Procedures	19

PART II. OTHER INFORMATION

Item 1. Legal Proceedings	19
Item 1A. Risk Factors	19
Item 2. Unregistered Sales of Equity Securities And Use of Proceeds	19
Item 3. Defaults Upon Senior Securities	20
Item 4. Mine Safety Disclosures	20
Item 5. Other Information	20
Item 6. Exhibits	20

[Table of Contents](#)

ITEM 1. FINANCIAL STATEMENTS

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Thirteen Weeks Ended	
	May 5, 2013	April 29, 2012
<i>Dollars and shares in thousands, except per share amounts</i>		
Net revenues	\$ 887,808	\$ 817,614
Cost of goods sold	553,623	508,348
Gross margin	334,185	309,266
Selling, general and administrative expenses	270,402	259,943
Operating income	63,783	49,323
Interest (income) expense, net	(189)	(191)
Earnings before income taxes	63,972	49,514
Income taxes	24,506	18,798
Net earnings	\$ 39,466	\$ 30,716
Basic earnings per share	\$ 0.40	\$ 0.31
Diluted earnings per share	\$ 0.40	\$ 0.30
Shares used in calculation of earnings per share:		
Basic	97,704	100,172
Diluted	99,515	101,956

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Thirteen Weeks Ended	
	May 5, 2013	April 29, 2012
<i>Dollars in thousands</i>		
Net earnings	\$ 39,466	\$ 30,716
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	(1,348)	1,073
Change in fair value of derivative financial instruments	(169)	0
Comprehensive income	\$ 37,949	\$ 31,789

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>Dollars and shares in thousands, except per share amounts</i>	May 5, 2013	February 3, 2013	April 29, 2012
ASSETS			
Current assets			
Cash and cash equivalents	\$ 252,536	\$ 424,555	\$ 376,464
Restricted cash	16,061	16,055	14,737
Accounts receivable, net	60,667	62,985	47,688
Merchandise inventories, net	661,541	640,024	586,270
Prepaid catalog expenses	36,407	37,231	34,308
Prepaid expenses	52,695	26,339	32,975
Deferred income taxes, net	99,739	99,764	91,774
Other assets	9,434	9,819	8,606
Total current assets	1,189,080	1,316,772	1,192,822
Property and equipment, net	817,249	812,037	726,133
Non-current deferred income taxes, net	10,738	12,398	11,764
Other assets, net	46,152	46,472	38,847
Total assets	\$ 2,063,219	\$ 2,187,679	\$ 1,969,566
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	\$ 211,086	\$ 259,162	\$ 189,660
Accrued salaries, benefits and other	84,886	120,632	77,732
Customer deposits	222,018	207,415	197,347
Income taxes payable	13,377	41,849	30,805
Current portion of long-term debt	1,696	1,724	1,652
Other liabilities	27,207	26,345	23,510
Total current liabilities	560,270	657,127	520,706
Deferred rent and lease incentives	172,312	171,198	179,064
Long-term debt	3,753	3,753	5,450
Other long-term obligations	44,666	46,463	48,112
Total liabilities	781,001	878,541	753,332
Commitments and contingencies			
Stockholders' equity			
Preferred stock: \$.01 par value; 7,500 shares authorized; none issued	0	0	0
Common stock: \$.01 par value; 253,125 shares authorized; 97,309, 97,734 and 99,370 shares issued and outstanding at May 5, 2013, February 3, 2013 and April 29, 2012, respectively	973	977	994
Additional paid-in capital	507,793	503,616	485,893
Retained earnings	761,336	790,912	715,684
Accumulated other comprehensive income	12,116	13,633	13,663
Total stockholders' equity	1,282,218	1,309,138	1,216,234
Total liabilities and stockholders' equity	\$ 2,063,219	\$ 2,187,679	\$ 1,969,566

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Thirteen Weeks Ended	
	May 5, 2013	April 29, 2012
<i>Dollars in thousands</i>		
Cash flows from operating activities:		
Net earnings	\$ 39,466	\$ 30,716
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	36,609	32,794
Loss on sale/disposal of assets	360	362
Amortization of deferred lease incentives	(6,353)	(6,563)
Deferred income taxes	(3,431)	(3,172)
Tax benefit from exercise of stock-based awards	9,186	7,668
Excess tax benefit from exercise of stock-based awards	(4,047)	(4,152)
Stock-based compensation expense	8,991	7,993
Changes in:		
Accounts receivable	1,512	(1,627)
Merchandise inventories	(21,537)	(32,571)
Prepaid catalog expenses	824	(14)
Prepaid expenses and other assets	(25,863)	(9,695)
Accounts payable	(52,345)	(25,317)
Accrued salaries, benefits and other current and long-term liabilities	(37,028)	(36,135)
Customer deposits	14,691	6,827
Deferred rent and lease incentives	7,613	3,783
Income taxes payable	(28,470)	8,366
Net cash used in operating activities	(59,822)	(20,737)
Cash flows from investing activities:		
Purchases of property and equipment	(47,444)	(27,819)
Proceeds from insurance reimbursement	760	0
Other	26	34
Net cash used in investing activities	(46,658)	(27,785)
Cash flows from financing activities:		
Repurchase of common stock	(41,174)	(61,733)
Payment of dividends	(21,985)	(22,136)
Repayments of long-term obligations	(28)	(171)
Proceeds from exercise of stock-based awards	3,767	8,275
Tax withholdings related to stock-based awards	(9,384)	(6,866)
Excess tax benefit from exercise of stock-based awards	4,047	4,152
Net cash used in financing activities	(64,757)	(78,479)
Effect of exchange rates on cash and cash equivalents	(782)	708
Net decrease in cash and cash equivalents	(172,019)	(126,293)
Cash and cash equivalents at beginning of period	424,555	502,757
Cash and cash equivalents at end of period	\$ 252,536	\$ 376,464

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Thirteen Weeks Ended May 5, 2013 and April 29, 2012
(Unaudited)

NOTE A. FINANCIAL STATEMENTS - BASIS OF PRESENTATION

These financial statements include Williams-Sonoma, Inc. and its wholly owned subsidiaries (“we,” “us” or “our”). The Condensed Consolidated Balance Sheets as of May 5, 2013 and April 29, 2012, the Condensed Consolidated Statements of Earnings for the thirteen weeks then ended, the Condensed Consolidated Statements of Comprehensive Income for the thirteen weeks then ended, and the Condensed Consolidated Statements of Cash Flows for the thirteen weeks then ended have been prepared by us, without audit. In our opinion, the financial statements include all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at the balance sheet dates and the results of operations for the thirteen weeks then ended. Significant intercompany transactions and accounts have been eliminated. The balance sheet as of February 3, 2013, presented herein, has been derived from our audited Consolidated Balance Sheet included in our Annual Report on Form 10-K for the fiscal year ended February 3, 2013.

The results of operations for the thirteen weeks ended May 5, 2013 are not necessarily indicative of the operating results of the full year.

Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended February 3, 2013.

NOTE B. 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, deferred stock awards (collectively, “stock awards”) and dividend equivalents up to an aggregate of 25,759,903 shares. As of May 5, 2013, there were 6,128,246 shares available for future grant. Awards may be granted under the Plan to officers, employees and non-employee Board members of the company or any parent or subsidiary. Annual grants are limited to 1,000,000 shares covered by option awards and 400,000 shares covered by stock awards on a per person basis. All grants of option awards made under the Plan 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 and stock awards granted to employees generally vest over a period of four years. Certain option awards, stock awards and other agreements contain vesting acceleration clauses resulting from events including, but not limited to, retirement, merger or a similar corporate event. Option and 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

We measure and record stock-based compensation expense in our Consolidated Financial Statements for all employee stock-based awards using a fair value method. During the thirteen weeks ended May 5, 2013 and April 29, 2012, we recognized total stock-based compensation expense, as a component of selling, general and administrative expenses, of \$8,991,000 (including \$1,341,000 related to

[Table of Contents](#)

the retirement of one of our former brand presidents) and \$7,993,000 (including stock-based compensation expense of \$3,019,000 related to the retirement of our former Executive Vice President, Chief Operating and Chief Financial Officer), respectively.

Stock Options

The following table summarizes our stock option activity during the thirteen weeks ended May 5, 2013:

	Shares
Balance at February 3, 2013	428,930
Granted	0
Exercised	(124,102)
Cancelled	0
Balance at May 5, 2013 (100% vested)	304,828

Stock-Settled Stock Appreciation Rights

The following table summarizes our stock-settled stock appreciation right activity during the thirteen weeks ended May 5, 2013:

	Shares
Balance at February 3, 2013	2,527,784
Granted	0
Converted into common stock	(318,775)
Cancelled	(28,775)
Balance at May 5, 2013	2,180,234
Vested at May 5, 2013	1,488,989
Vested plus expected to vest at May 5, 2013	1,940,722

Restricted Stock Units

The following table summarizes our restricted stock unit activity during the thirteen weeks ended May 5, 2013:

	Shares
Balance at February 3, 2013	2,772,426
Granted	815,705
Released	(260,913)
Cancelled	(45,261)
Balance at May 5, 2013	3,281,957
Vested plus expected to vest at May 5, 2013	2,239,606

NOTE C. 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 for the period plus common stock equivalents. Common stock equivalents consist of shares subject to option awards with exercise prices less than or equal to the average market price of our common stock for the period, as well as restricted stock units, to the extent their inclusion would be dilutive.

[Table of Contents](#)

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

<i>Dollars and amounts in thousands, except per share amounts</i>	Net Earnings	Weighted Average Shares	Earnings Per Share
Thirteen weeks ended May 5, 2013			
Basic	\$ 39,466	97,704	\$ 0.40
Effect of dilutive stock-based awards		1,811	
Diluted	\$ 39,466	99,515	\$ 0.40
Thirteen weeks ended April 29, 2012			
Basic	\$ 30,716	100,172	\$ 0.31
Effect of dilutive stock-based awards		1,784	
Diluted	\$ 30,716	101,956	\$ 0.30

Stock-based awards of 918,000 and 1,664,000 for the thirteen weeks ended May 5, 2013 and April 29, 2012, respectively, were not included in the computation of diluted earnings per share, as their inclusion would be anti-dilutive.

NOTE D. SEGMENT REPORTING

We have two reportable segments, direct-to-customer and retail. The direct-to-customer segment has seven merchandising concepts (Williams-Sonoma, Pottery Barn, Pottery Barn Kids, PBteen, West Elm, Rejuvenation and Mark and Graham) which sell our products through our e-commerce websites and direct-mail catalogs. Our direct-to-customer merchandising concepts are operating segments, which have been aggregated into one reportable segment, direct-to-customer. The retail segment has five merchandising concepts (Williams-Sonoma, Pottery Barn, Pottery Barn Kids, West Elm and Rejuvenation) which sell our products through our retail stores. Our retail merchandising concepts 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 home-centered products. 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 or 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 systems, corporate facilities and other administrative departments. Unallocated assets include corporate cash and cash equivalents, deferred income taxes, the net book value of corporate facilities and related information systems, 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.

[Table of Contents](#)**Segment Information**

<i>Dollars in thousands</i>	Direct-to-Customer	Retail	Unallocated	Total
Thirteen weeks ended May 5, 2013				
Net revenues ¹	\$ 419,084	\$ 468,724	\$ 0	\$ 887,808
Depreciation and amortization expense	6,826	19,217	10,566	36,609
Operating income	95,941	34,016	(66,174)	63,783
Assets ²	417,409	905,378	740,432	2,063,219
Capital expenditures	9,706	20,722	17,016	47,444
Thirteen weeks ended April 29, 2012				
Net revenues ¹	\$ 374,407	\$ 443,207	\$ 0	\$ 817,614
Depreciation and amortization expense	5,617	18,059	9,118	32,794
Operating income	77,955	34,353	(62,985)	49,323
Assets ²	354,624	863,558	751,384	1,969,566
Capital expenditures	5,276	9,272	13,271	27,819

¹ Includes net revenues of approximately \$48.1 million and \$30.6 million for the thirteen weeks ended May 5, 2013 and April 29, 2012, respectively, related to our foreign operations.

² Includes approximately \$54.5 million and \$23.9 million of long-term assets as of May 5, 2013 and April 29, 2012, respectively, related to our foreign operations.

NOTE E. 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 larger. Litigation is inherently unpredictable. Any claims against us, whether meritorious or not, could be time consuming, 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 F. STOCK REPURCHASE PROGRAM AND DIVIDEND*Stock Repurchase Program*

In March 2013, we announced that our Board of Directors had authorized a new three-year stock repurchase program to purchase up to \$750,000,000 of our common stock. During the thirteen weeks ended May 5, 2013, we repurchased 800,882 shares of our common stock at an average cost of \$51.41 per share and a total cost of approximately \$41,174,000. During the thirteen weeks ended April 29, 2012, we repurchased 1,644,508 shares of our common stock at an average cost of \$37.54 per share and a total cost of approximately \$61,733,000.

Stock repurchases under this 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. This stock repurchase program does not have an expiration date and may be limited or terminated at any time without prior notice.

Dividend

Our quarterly cash dividend was \$0.31 and \$0.22 per common share for the thirteen weeks ended May 5, 2013 and April 29, 2012, respectively.

NOTE G. DERIVATIVE FINANCIAL INSTRUMENTS

Substantially all of our purchases and sales are denominated in U.S. Dollars, which limits our exposure to foreign currency exchange rate fluctuations. However, we are exposed to market risk from foreign currency exchange risk related to the transactions of our foreign subsidiaries. To mitigate this risk, beginning in April 2013, we began utilizing foreign currency forward contracts in accordance with our risk management policies. We do not enter into such contracts for trading or speculative purposes.

The assets or liabilities associated with the derivative instruments are recorded at fair value in either other current assets or other current liabilities, respectively, within our Condensed Consolidated Balance Sheets. As discussed below, the accounting for gains and losses resulting from changes in fair value depends on whether the derivative instrument is designated as and qualifies for hedge accounting. The foreign currency forward contracts entered into as of May 5, 2013 were designated as cash flow hedges and, therefore, protect us against the variability of forecasted foreign currency cash flows resulting from purchases in non-functional currencies.

Cash Flow Hedges

We enter into forward contracts designated as cash flow hedges for forecasted inventory purchases in U.S. dollars by our foreign subsidiaries. These hedges generally have terms of up to twelve months. All hedging relationships are formally documented, and the hedges are designed to offset changes to future cash flows on hedged transactions. We recognize derivative instruments as either assets or liabilities in our Condensed Consolidated Balance Sheet and measure them at fair value. We record the effective portion of changes in the fair value of our cash flow hedges in other comprehensive income ("OCI") in our Condensed Consolidated Statement of Comprehensive Income until the forecasted inventory purchase occurs. Subsequently, as the inventory is sold to the customer, we reclassify the amounts recorded in OCI to cost of goods sold. Changes in 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 other income (expense), net in our Condensed Consolidated Statements of Earnings. As of May 5, 2013, we had foreign currency contracts of this type in place to sell Canadian dollars and buy U.S. dollars totaling \$16,100,000. Based on the rates in effect on May 5, 2013, we would expect to reclassify a net loss of approximately \$169,000 from OCI to cost of goods sold over the next 12 months. However, we do not expect variability in these rates. There were no hedges outstanding as of April 29, 2012.

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 other income (expense), net in our Condensed Consolidated Statements of Earnings. No gain or loss was recognized for cash flow hedges due to hedge ineffectiveness and no hedges were designated as ineffective for the thirteen weeks ended May 5, 2013.

The effect of derivative instruments designated as cash flow hedges in our Condensed Consolidated Financial Statements, pre-tax, was as follows:

<i>Dollars in thousands</i>	Thirteen Weeks Ended May 5, 2013
Net gain (loss) recognized in OCI (a)	\$ (169)
Net gain (loss) reclassified from OCI into cost of goods sold (a)	0
Net Foreign exchange gain (loss) recognized in other income (expense) (b)	(13)

(a) Effective portion

(b) Amount excluded from assessment of hedge effectiveness

The fair values of our derivative financial instruments are presented below. All fair values for these derivatives were measured using Level 2 inputs as defined by the fair value hierarchy described in Note H:

[Table of Contents](#)

Dollars in thousands

Derivative Assets/(Liabilities)	Balance sheet location	May 5, 2013
Derivatives designated as hedging instruments:		
Cash flow foreign currency forward contracts	Other current assets	\$ 0
Cash flow foreign currency forward contracts	Other current liabilities	(182)
Total derivatives designated as hedging instruments		\$ (182)

We did not have any derivative assets or liabilities as of April 29, 2012.

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

Amounts recorded within accumulated other comprehensive income (“AOCI”) associated with our derivative instruments were as follows.

<i>Dollars in thousands</i>	Thirteen Weeks Ended May 5, 2013
AOCI beginning balance amount of gain (loss)	\$ 0
Amounts recognized in OCI before reclassifications	(169)
Amounts reclassified from OCI into cost of goods sold	0
AOCI ending balance amount of gain (loss)	\$ (169)

NOTE H. 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 the Financial Accounting Standards Board Accounting Standard Codification 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 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. These inputs either represent quoted prices for similar assets in active markets or have been derived from observable market data; 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.

[Table of Contents](#)

Foreign Currency Derivatives and Hedging Instruments

We use the income approach to value the derivatives using observable Level 2 market expectations 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. 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. Our policy is to present the fair value of our foreign currency derivatives gross in our Condensed Consolidated Balance Sheet and these instruments are not subject to legal right of offset or other netting arrangements with our counterparties.

There were no transfers between Level 1 and Level 2 categories during the thirteen weeks ended May 5, 2013.

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

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not fully materialize or are proven incorrect, could cause our business and results of operations to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include statements related to: our expectations regarding the overall economic characteristics and trends of each of our major concepts within each reportable segment; our beliefs regarding the resolution of current lawsuits, claims and proceedings; our expectations regarding our stock repurchase program and dividends; our expectations regarding our cash flow hedges; our expectations regarding our brands as we execute our strategies; the execution of our strategies; our investment in our key long-term initiatives; our focus on product innovation; our expectations regarding investing in our supply chain and in the technologies supporting our key long-term initiatives; the expansion of our global business, including expectations regarding the opening of additional franchised locations, our global e-commerce shipping capabilities, the opening of our stores and e-commerce sites in Australia and expectations regarding the opening of additional stores in Australia and in the United Kingdom; our expectations regarding in-sourcing of our foreign agents and consolidation of our distribution centers; our expectations regarding launching of new businesses and investing in our brand extensions; our focus on enhancing customer service and driving increases in revenue; our beliefs regarding our brands, strategic long-term growth initiatives and future growth and stockholder returns; statements related to cost of goods sold; statements related to selling, general and administrative expenses; our compliance with our financial covenants; our plans to use our cash resources to fund our inventory and inventory related purchases, advertising and marketing initiatives, purchases of property and equipment, stock repurchases and dividend payments; our belief that our cash on-hand, in addition to our available credit facilities, will provide adequate liquidity for our business operations over the next 12 months; our expectations regarding our cash flow; our estimates and assumptions in preparing our condensed consolidated financial statements; our beliefs regarding seasonal patterns associated with the retail and direct-to-customer industries; our expectations regarding demand for our products; and our beliefs regarding guidance, as well as 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 "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "intends," "potential," "continue," or the negative of such terms, or other comparable terminology.

[Table of Contents](#)

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 this document and our Annual Report on Form 10-K for the year ended February 3, 2013, 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.

OVERVIEW

Williams-Sonoma, Inc. is a specialty retailer of high-quality products for the home. These products, representing distinct merchandise strategies – Williams-Sonoma, Pottery Barn, Pottery Barn Kids, PBteen, West Elm, Williams-Sonoma Home, Rejuvenation and Mark and Graham – are marketed through e-commerce websites, direct mail catalogs and 587 stores. We currently operate in the U.S., Canada, and Australia and offer international shipping to customers worldwide. Our catalogs reach customers throughout the U.S. and Australia. Our unaffiliated franchisee operates 24 stores in the Middle East.

The following discussion and analysis of financial condition, results of operations, and liquidity and capital resources for the thirteen weeks ended May 5, 2013 (“first quarter of fiscal 2013”), as compared to the thirteen weeks ended April 29, 2012 (“first quarter of fiscal 2012”), should be read in conjunction with our Condensed Consolidated Financial Statements and the notes thereto.

All explanations of changes in operational results are discussed in order of their magnitude.

First Quarter of Fiscal 2013 Financial Results

In the first quarter of fiscal 2013, our net revenues increased 8.6% to \$887,808,000, compared to \$817,614,000 in the first quarter of fiscal 2012, including a comparable brand revenue increase of 7.2%. Diluted earnings per share in the first quarter of fiscal 2013 increased to \$0.40, versus \$0.30 in the first quarter of fiscal 2012. During the quarter, we also returned \$63,159,000 to our stockholders through stock repurchases and dividends.

Direct-to-customer net revenues in the first quarter of fiscal 2013 increased \$44,677,000, or 11.9%, compared to the first quarter of fiscal 2012, with increases across all brands. This growth was primarily led by Pottery Barn, West Elm, Williams-Sonoma, and Pottery Barn Kids. Direct-to-customer net revenues generated 47.2% of our total company net revenues in the first quarter of fiscal 2013 versus 45.8% in the first quarter of fiscal 2012.

Retail net revenues in the first quarter of fiscal 2013 increased \$25,517,000, or 5.8%, compared to the first quarter of fiscal 2012, driven primarily by our international franchise operations, Pottery Barn and West Elm, partially offset by a decrease in Williams-Sonoma. Including six net new stores within the first quarter of fiscal 2013, retail leased square footage increased 2.0% from the end of the first quarter of fiscal 2012.

In Pottery Barn, our largest brand (representing approximately 43% of our total company net revenues on an annual basis), comparable brand revenues increased 7.6% in the first quarter compared to the first quarter of fiscal 2012, and we saw particular strength in furniture, textiles and tabletop products. In the Williams-Sonoma brand (which represents approximately 24% of our total company net revenues on an annual basis), comparable brand revenues increased 1.9% compared to the first quarter of fiscal 2012. Product innovation, marketing and customer engagement drove the results in cookware, electrics and tabletop in the first quarter of fiscal 2013. The first of a series of new product introductions also contributed to these results. In Pottery Barn Kids, comparable brand revenues grew by 6.9% in the first quarter compared to the first quarter of fiscal 2012, driven by a positive merchandise response and a stronger in-stock position. In West Elm, comparable brand revenues increased 11.8% on top of 22.1% last year. Brand growth continues to be driven by all categories including furniture, textiles,

[Table of Contents](#)

decorative accessories and lighting. In PBteen, comparable brand revenues increased 16.1% in the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012, driven by strength in our furniture business and textiles.

First Quarter of Fiscal 2013 Operational Results

During the first quarter of fiscal 2013, we made progress against all of our key long-term initiatives: to grow our existing brands, launch new businesses, and expand globally, all supported by investing in our supply chain and in the technologies supporting these initiatives to further enhance our multi-channel business.

In our global business, we opened our first company-operated retail stores and launched our first fully transactional e-commerce sites in Australia. We also continued the expansion of our franchise operations in the Middle East. We will further expand our retail operations in Australia with an additional West Elm location in Melbourne later this year, and, we are planning to extend our global business into the United Kingdom with the opening of our first West Elm store in London.

In our supply chain, we further in-sourced our foreign agents throughout Asia, and made progress on our planned consolidation of our distribution centers.

In addition, during the first quarter, we continued our investments across a number of initiatives that leverage the Internet and our e-commerce platform. For example, we re-launched our Williams-Sonoma registry, which we believe features significantly improved usability and integration with the e-commerce site. We also implemented several enhancements to improve the customer experience and drive increases in revenue per visitor across all of our brands.

In new business development, we are investing in our brand extensions, West Elm Market, Williams-Sonoma Home, Agrarian, and PBdorm. Additionally, we are making improvements in product lines and marketing in Rejuvenation and our newest brand, Mark and Graham. While these businesses are small, we continue to see growth in all of them.

Results of Operations

NET REVENUES

Net revenues consist of direct-to-customer net revenues and retail net revenues. Direct-to-customer 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, 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.

The following table summarizes our net revenues for the first quarter of fiscal 2013 and the first quarter of fiscal 2012:

<i>Dollars in thousands</i>	Thirteen Weeks Ended			
	May 5, 2013	% Total	April 29, 2012	% Total
Direct-to-customer net revenues	\$ 419,084	47.2%	\$ 374,407	45.8%
Retail net revenues	468,724	52.8%	443,207	54.2%
Net revenues	\$887,808	100.0%	\$817,614	100.0%

[Table of Contents](#)

Net revenues in the first quarter of fiscal 2013 increased \$70,194,000, or 8.6%, compared to the first quarter of fiscal 2012, with comparable brand revenue growth of 7.2%. These increased net revenues during the first quarter of fiscal 2013 were driven primarily by the Pottery Barn and West Elm brands.

Comparable Brand Revenue Growth

Comparable brand revenue includes retail comparable store sales and direct-to-customer 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. Sales related to our international franchised stores have been excluded as these stores are not operated by us. Comparable stores are defined as permanent stores in which 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.

Percentages represent changes in comparable brand revenue compared to the same period in the prior year.

<i>Comparable brand revenue growth (decline)</i>	Thirteen Weeks Ended	
	May 5, 2013	April 29, 2012
Pottery Barn	7.6%	9.1%
Williams-Sonoma	1.9%	(4.3%)
Pottery Barn Kids	6.9%	(0.8%)
West Elm	11.8%	22.1%
PBteen	16.1%	(6.0%)
Total	7.2%	5.4%

DIRECT-TO-CUSTOMER NET REVENUES

<i>Dollars in thousands</i>	Thirteen Weeks Ended	
	May 5, 2013	April 29, 2012
Direct-to-customer net revenues	\$ 419,084	\$ 374,407
Direct-to-customer net revenue growth	11.9%	8.8%

Direct-to-customer net revenues in the first quarter of fiscal 2013 increased \$44,677,000, or 11.9%, compared to the first quarter of fiscal 2012 with increases across all brands. This growth was primarily led by Pottery Barn, West Elm, Williams-Sonoma, and Pottery Barn Kids. Direct-to-customer net revenues generated 47.2% of total Company net revenues in the first quarter of fiscal 2013 versus 45.8% in the first quarter of fiscal 2012.

RETAIL NET REVENUES AND OTHER DATA

<i>Dollars in thousands</i>	Thirteen Weeks Ended	
	May 5, 2013	April 29, 2012
Retail net revenues	\$ 468,724	\$ 443,207
Retail net revenue growth	5.8%	3.9%
Number of stores - beginning of year	581	576
Number of new stores	7	2
Number of new stores due to remodeling ¹	4	1
Number of closed stores due to remodeling ¹	(1)	(2)
Number of permanently closed stores	(4)	(2)
Number of stores - end of period	587	575
Store selling square footage at period-end	3,586,000	3,522,000
Store leased square footage ("LSF") at period-end	5,840,000	5,725,000

¹ *Remodeled stores are defined as those stores temporarily closed and subsequently reopened during the year due to square footage expansion, store modification or relocation.*

[Table of Contents](#)

	Store Count				Avg. LSF Per Store		
	February 3, 2013	Openings	Closings	May 5, 2013	April 29, 2012	May 5, 2013	April 29, 2012
Williams-Sonoma	253	4	(3)	254	259	6,600	6,500
Pottery Barn	192	4	(1)	195	193	13,800	13,900
Pottery Barn Kids	84	2	(1)	85	82	8,100	8,200
West Elm	48	1	-	49	38	14,800	16,600
Rejuvenation	4	-	-	4	3	13,200	17,200
Total	581	11	(5)	587	575	9,900	10,000

Retail net revenues in the first quarter of fiscal 2013 increased \$25,517,000, or 5.8%, compared to the first quarter of fiscal 2012, driven primarily by our international franchise operations, Pottery Barn and West Elm, partially offset by a decrease in Williams-Sonoma. Including six new stores within the first quarter of fiscal 2013, retail leased square footage increased 2.0% from the end of the first quarter of fiscal 2012.

COST OF GOODS SOLD

<i>Dollars in thousands</i>	Thirteen Weeks Ended			
	May 5, 2013	% Net Revenues	April 29, 2012	% Net Revenues
Cost of goods sold ¹	\$553,623	62.4%	\$508,348	62.2%

¹ Includes total occupancy expenses of \$133,005,000 and \$125,187,000 for the first quarter of fiscal 2013 and the first quarter of fiscal 2012, 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 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 direct-to-customer 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 direct-to-customer channel incurs higher customer shipping, damage and replacement costs than the retail channel.

First Quarter of Fiscal 2013 vs. First Quarter of Fiscal 2012

Cost of goods sold increased by \$45,275,000, or 8.9%, in the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012. Cost of goods sold as a percentage of net revenues increased to 62.4% in the first quarter of fiscal 2013 from 62.2% in the first quarter of fiscal 2012. This increase was primarily driven by lower selling margins, partially offset by the leverage of fixed occupancy expenses due to increasing net revenues.

[Table of Contents](#)

In the direct-to-customer channel, cost of goods sold as a percentage of net revenues decreased 50 basis points in the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012. This decrease as a percentage of net revenues was primarily driven by improved selling margins, partially offset by an increase in occupancy expenses.

In the retail channel, cost of goods sold as a percentage of net revenues increased 140 basis points in the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012. This increase as a percentage of net revenues was primarily driven by lower selling margins, partially offset by the leverage of fixed occupancy expenses due to increasing net revenues.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

<i>Dollars in thousands</i>	Thirteen Weeks Ended			
	May 5, 2013	% Net Revenues	April 29, 2012	% Net Revenues
Selling, general and administrative expenses	\$270,402	30.5%	\$259,943	31.8%

Selling, general and administrative expenses consist of non-occupancy related costs associated with our retail stores, distribution warehouses, 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 direct-to-customer channels due to their distinct distribution and marketing strategies. Store employment costs represent a greater percentage of retail net revenues than employment costs as a percentage of net revenues within the direct-to-customer channel. However, advertising expenses are higher within the direct-to-customer channel than in the retail channel.

First Quarter of Fiscal 2013 vs. First Quarter of Fiscal 2012

Selling, general and administrative expenses increased by \$10,459,000, or 4.0%, in the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012. Including employee separation charges of \$2,932,000, selling, general and administrative expenses as a percentage of net revenues decreased to 30.5% in the first quarter of fiscal 2013 from 31.8% in the first quarter of fiscal 2012 (which included employee separation charges of \$6,935,000). This decrease as a percentage of net revenues was primarily driven by lower advertising costs and a reduction in year-over-year employee separation charges.

In the direct-to-customer channel, selling, general and administrative expenses as a percentage of net revenues decreased 160 basis points in the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012. This decrease was primarily driven by lower advertising costs, partially offset by an increase in other general expenses.

In the retail channel, selling, general and administrative expenses as a percentage of net revenues decreased 90 basis points in the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012. This decrease was primarily driven by lower employment-related costs.

INCOME TAXES

The effective rate was 38.3% for the first quarter of fiscal 2013 and 38.0% for the first quarter of fiscal 2012.

LIQUIDITY AND CAPITAL RESOURCES

As of May 5, 2013, we held \$252,536,000 in cash and cash equivalent funds, the majority of which are held in money market funds and interest-bearing demand deposit accounts. 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 2013, we plan to use our cash resources to fund our inventory and inventory related purchases, advertising and marketing initiatives, purchases of property and equipment, stock repurchases and dividend payments. In addition to the current cash balances on hand, we have a credit facility that provides for a \$300,000,000 unsecured revolving line of credit that may be used for loans or letters of credit. Prior to December 22, 2016, we may, upon notice to the lenders, request an increase in the credit facility of up to \$200,000,000 to provide for a total of \$500,000,000 of unsecured revolving credit. During the thirteen weeks ended May 5, 2013 and April 29, 2012, we had no borrowings under the credit facility, and no amounts were outstanding as of May 5, 2013 or April 29, 2012. However, as of May 5, 2013, \$4,970,000 in issued but undrawn standby letters of credit was outstanding under the credit facility. Additionally, as of May 5, 2013, we had three unsecured letter of credit reimbursement facilities for a total of \$90,000,000, of which an aggregate of \$12,137,000 was outstanding. 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 and, based on our current projections, we expect to remain in compliance throughout fiscal 2013. 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 the first quarter of fiscal 2013, net cash used in operating activities was \$59,822,000 compared to \$20,737,000 for the first quarter of fiscal 2012. For the first quarter of fiscal 2013, net cash used in operating activities was primarily attributable to a decrease in accounts payable, accrued salaries, benefits and other expenses, and income taxes payable due to the timing of payments, as well as an increase in prepaid expenses and merchandise inventories. This represents an increase in net cash used compared to the first quarter of fiscal 2012 primarily resulting from a decrease in income taxes payable and accounts payable due to the timing of payments.

Cash Flows from Investing Activities

For the first quarter of fiscal 2013, net cash used in investing activities was \$46,658,000 compared to \$27,785,000 for the first quarter of fiscal 2012. Net cash used compared to the first quarter of fiscal 2012 increased primarily due to an increase in purchases of property and equipment.

Cash Flows from Financing Activities

For the first quarter of fiscal 2013, net cash used in financing activities was \$64,757,000 compared to \$78,479,000 for the first quarter of fiscal 2012. For the first quarter of fiscal 2013, net cash used in financing activities was primarily attributable to the repurchase of common stock and the payment of dividends. Net cash used compared to the first quarter of fiscal 2012 decreased primarily due to a decrease in our repurchase of common stock.

Stock Repurchase Program and Dividend

See Note F to our Condensed Consolidated Financial Statements, *Stock Repurchase Program and Dividend*, within Item 1 of this Quarterly Report on Form 10-Q for further information.

[Table of Contents](#)

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. The 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 may differ significantly from these estimates. During the first quarter of fiscal 2013, there have been no significant changes to the critical accounting policies discussed in our Annual Report on Form 10-K for the year ended February 3, 2013.

Seasonality

Our business is subject to substantial seasonal variations in demand. Historically, a significant portion of our 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 anticipation of our peak season, we hire a substantial number of additional temporary employees in our retail stores, customer care centers and distribution centers, and incur significant fixed catalog production and mailing costs.

ITEM 3. 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 rates, including the devaluation of the U.S. dollar, and the effects of uncertain economic forces 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

As of May 5, 2013, our line of credit facility was the only instrument we held with a variable interest rate which could, if drawn upon, subject us to risks associated with changes in that interest rate. As of May 5, 2013, there were no amounts outstanding under our credit facility.

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 May 5, 2013, our investments, made primarily in money market funds and interest-bearing demand deposit accounts, 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 3% of our international purchase transactions are in currencies other than the U.S. dollar, primarily the euro. Any currency risks related to these international purchase transactions were not significant to us during the first quarter of fiscal 2013 or the first quarter of fiscal 2012. 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 stores in Canada and Australia, and our limited operations in 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 and, as such, these exchange rate fluctuations have not been material to us in the past. However, as we continue to expand globally, we are exposed to foreign currency exchange risk related to the transactions of our

[Table of Contents](#)

foreign subsidiaries. As a result, to mitigate this risk going forward, we began utilizing foreign currency forward contracts in accordance with our risk management policies beginning in April 2013 (see Note G to our Condensed Consolidated Financial Statements).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of May 5, 2013, 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.

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.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information required by this Item is contained in Note E to our Condensed Consolidated Financial Statements within Part I of this Form 10-Q.

ITEM 1A. RISK FACTORS

See Part I, Item 1A of our Annual Report on Form 10-K for the year ended February 3, 2013 for a description of the risks and uncertainties associated with our business. There were no material changes to such risk factors in the current quarterly reporting period.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information as of May 5, 2013 with respect to shares of common stock we repurchased under our repurchase programs during the first quarter of fiscal 2013. For additional information, please see Note F to our Condensed Consolidated Financial Statements within Part I of this Form 10-Q.

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
February 4, 2013 to March 3, 2013	0	\$ 0.00	0	\$ 750,496,000
March 4, 2013 to March 31, 2013	195,317	\$ 50.78	195,317	\$ 740,576,984
April 1, 2013 to May 5, 2013	605,565	\$ 51.61	605,565	\$ 709,322,462
Total	800,882	\$ 51.41	800,882	\$ 709,322,462

[Table of Contents](#)

During the first quarter of fiscal 2013, we repurchased 10,002 shares remaining under our repurchase program announced in January 2012 at an average cost of \$49.59 per share and a total cost of approximately \$496,000. As of May 5, 2013, there were no amounts remaining for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits

<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.1+	Williams-Sonoma, Inc. 2001 Long-Term Incentive Plan Restricted Stock Unit Award Agreement for Grants to Non-Employee Directors
10.2+	Williams-Sonoma, Inc. 2001 Long-Term Incentive Plan Restricted Stock Unit Award Agreement for Grants to Employees
10.3+	Separation Agreement and General Release with Richard Harvey, dated May 3, 2013
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
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

+ Indicates a management contract or compensatory plan or arrangement

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WILLIAMS-SONOMA, INC.

By: /s/ Julie P. Whalen

Julie P. Whalen
Chief Financial Officer

Date: June 14, 2013

**WILLIAMS-SONOMA, INC. 2001 LONG-TERM INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR GRANTS TO NON-EMPLOYEE DIRECTORS (“AGREEMENT”)**

Name: _____ **Number of RSUs:** _____

Grant Date: _____ **Grant Date FMV:** _____

1. **Award.** Williams-Sonoma, Inc. (the “Company”), has awarded you the number of Restricted Stock Units indicated above (“Award”). Each Restricted Stock Unit entitles you to receive one share of Common Stock of the Company upon the terms and subject to the conditions set forth in the Company’s 2001 Long-Term Incentive Plan (the “Plan”) and this Award. Prior to the distribution of any shares, this Award represents an unsecured obligation, payable only from the general assets of the Company.

Except as specified herein, shares of Common Stock will be issued to you or, in case of your death, your beneficiary designated in accordance with the procedures specified by the Administrator on or shortly following the vesting date. If at the time of your death, there is not an effective beneficiary designation on file or you are not survived by your designated beneficiary, the shares will be issued to the legal representative of your estate or other beneficiary as determined under applicable law.

2. **Vesting.** The Restricted Stock Units will vest in full on the earlier of: (i) the date that is one (1) day prior to the date of the annual meeting of the Company’s shareholders next following the Grant Date, or (ii) the one (1) year anniversary of the Grant Date (“Vesting Date”).

3. **Termination.**

(a) **General Rule.** If you cease to provide service as a Non-employee Director or employee of the Company or a Subsidiary prior to the Vesting Date other than due to a termination described in 2(b) below, all then unvested Restricted Stock Units (including dividend equivalents thereon) awarded hereby shall immediately terminate without notice to you and shall be forfeited.

(b) **Death or Disability.** If you cease to provide service as a Non-employee Director or employee of the Company or a Subsidiary due to your death or Disability, then 100% of the then unvested Restricted Stock Units awarded hereby will vest and shares of Common Stock will be delivered to you, your estate, or your personal representative (as appropriate) on the first business day of the month following the date upon which your service terminates. “Disability” is defined as any one or more of the following: (i) your 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 twelve (12) months; (ii) you are, 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 twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under the Company’s accident and health plan covering the Company’s employees; or (iii) if you are a U.S. employee, you have been determined to be totally disabled by the Social Security Administration.

(c) **Disability following Share Deferral.** If (i) you have elected to defer receipt of your shares such that this Award is subject to Code Section 409A, (ii) you cease to provide service as a Non-employee Director or employee of the Company or a Subsidiary due to your permanent disability, and (iii) in the unlikely event that you are a “specified employee” within the meaning of Code Section 409A at the time of your termination of service due to your permanent disability, then 100% of the then unvested Restricted Stock Units awarded hereby will vest as of the first business day of the month following the date upon which your service terminates; however delivery of the related shares of Common Stock

shall be delayed to the date that is six (6) months and one (1) day following the date upon which your service terminates. ***Please note this Section3(c) is applicable only to U.S. taxpayers.***

4. **Certain Corporate Events.**

- (a) **General Rule for Transaction.** In the event of a Transaction, other than a dissolution, liquidation, or corporate reorganization of the Company, if you have not elected to defer receipt of your shares, then 100% of the then unvested Restricted Stock Units awarded hereby will vest and the related shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) will be delivered to you on the date upon which such Transaction is consummated.
- (b) **Transaction Following Share Deferral.** In the event of a Transaction, other than a dissolution, liquidation, or corporate reorganization of the Company, if you have elected to defer receipt of your shares such that this Award is subject to Code Section 409A, then 100% of the then unvested Restricted Stock Units awarded hereby will vest on the date upon which such Transaction is consummated.

If such Transaction qualifies as a change in the ownership or effective control of the Company under Code Section 409A, then the related shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) will be delivered to you on the date upon which such Transaction is consummated, except that in the unlikely event you are a “specified employee” within the meaning of Code Section 409A at the time of such Transaction, delivery of the related shares of Common Stock (or the consideration shareholders generally received for such Common Stock) will be delayed to the date that is six (6) months and one (1) day following the date upon which your service terminates.

If such Transaction does not qualify as a change in the ownership or effective control of the Company under Code Section 409A, then the related shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) will be delivered to you on the same dates specified in your deferral election. ***Please note this Section4(b) is applicable only to U.S. taxpayers.***

5. **Dividend Equivalents.** During the period beginning on the Grant Date as indicated above and ending on the date that the Restricted Stock Unit is settled or terminates, whichever occurs first, you will receive cash payments based on and payable at approximately the same time as the cash dividends.
6. **Deferral.** If permitted by the Administrator, the issuance of the Common Stock issuable with respect to this Award may be deferred upon such terms and conditions as determined by the Administrator, subject to the Administrator’s determination that any such right of deferral or any term thereof complies with applicable laws or regulations in effect from time to time. If you are located outside the U.S., you will not be permitted to elect to defer the settlement of your Restricted Stock Units.
7. **Nontransferable.** You may not sell, assign, pledge, encumber or otherwise transfer any interest in the Restricted Stock Units or the right to receive dividend equivalents thereon.
8. **Other Restrictions.** The issuance of Common Stock under this Award is subject to compliance by the Company and you with all applicable legal requirements applicable thereto and with all applicable regulations of any stock exchange on which the Common Stock may be listed at the time of issuance. The Company may delay the issuance of shares of Common Stock under this Award to ensure at the time of issuance there is a registration statement for the shares in effect under the Securities Act of 1933.
9. **Additional Provisions.** This Award is subject to the provisions of the Plan. Capitalized terms not defined in this Award are used as defined in the Plan. If the Plan and this Award are inconsistent, the provisions of the Plan will govern, except as specifically provided herein. Interpretations of the Plan and this Award by the Committee are binding on you and the Company.

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10. **No Employment Agreement.** Neither the award to you of the Restricted Stock Units nor the delivery to you of this Award or any other document relating to the Restricted Stock Units will confer on you the right to continued employment or service or be interpreted as forming an employment or service contract with the Company or any Subsidiary.
11. **Tax Withholding.** You acknowledge that, regardless of any action taken by the Company, the ultimate liability for any or all income tax, social insurance contributions, payroll tax or other tax-related items related to your participation in the Plan and legally applicable to you (“Tax-Related Items”) is and remains your responsibility. You further acknowledge that the Company (1) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award and (2) does not commit to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Company and/or one of its foreign Subsidiaries or Affiliates may be required to withhold or account for Tax-Related Items in more than one jurisdiction.
12. **Data Protection (Applicable Only If You Are Located Outside the U.S.)** *You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by and among the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing your participation in the Plan.*

You understand that the Company and its Subsidiaries hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan (“Data”). You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, including outside the European Economic Area, and that the recipient’s country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom you may elect to deposit any shares of stock pursuant to this Award. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan, including any deferral election thereunder. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status (if any) or service and career with the Company or your employer will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you Restricted Stock Units or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

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13. **Governing Law and Venue.** The Award and the provisions of this Agreement are governed by, and subject to, the laws of the State of California without regard to the conflict of law provisions, as provided in the Plan. Further, for purposes of any action, lawsuit or other proceedings brought to enforce this Agreement, relating to it, or arising from it, the parties hereby submit to and consent to the sole and exclusive jurisdiction of the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.
 14. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
 15. **Severability and Waiver.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable. Further, you acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other Plan participant.
 16. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on your participation in the Plan, on the Award and on any shares of Common Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
 17. **No Advice.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan or your acquisition or sale of Common Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.
 18. **Address for Notices.** Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of its Stock Plan Administrator, at 3250 Van Ness Avenue, San Francisco, CA 94109 USA, or at such other address as the Company may hereafter designate in writing.

[INSERT SIGNATURE LINE FOR INDIVIDUALS OUTSIDE OF U.S.]

**WILLIAMS-SONOMA, INC. 2001 LONG-TERM INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR GRANTS TO EMPLOYEES ("AGREEMENT")**

Name: _____ **Number of RSUs:** _____

Grant Date: _____ **Grant Date FMV:** _____

1. **Award.** Williams-Sonoma, Inc. (the "Company"), has awarded you the number of Restricted Stock Units indicated above ("Award"). Each Restricted Stock Unit entitles you to receive one share of Common Stock of the Company upon the terms and subject to the conditions set forth in the Company's 2001 Long-Term Incentive Plan (the "Plan") and this Award. Prior to the distribution of any shares, this Award represents an unsecured obligation, payable only from the general assets of the Company.

Except as specified herein, shares of Common Stock will be issued to you or, in case of your death, your beneficiary designated in accordance with the procedures specified by the Administrator on or shortly following the Vesting Date. If at the time of your death, there is not an effective beneficiary designation on file or you are not survived by your designated beneficiary, the shares will be issued to the legal representative of your estate or other beneficiary as determined under applicable law.

2. **Vesting.** Subject to any acceleration provisions contained in the Plan or this Agreement, the Restricted Stock Units subject to this Award will vest as follows:

[FOR NON-SECTION 16 OFFICERS/EVPS INSERT: 25% on each anniversary of the Grant Date over four years ("Vesting Dates"), subject to your continued employment with the Company or one of its affiliates through each relevant Vesting Date.]

[FOR SECTION 16 OFFICERS AND EVPS INSERT: Vesting of this Award is conditioned upon the Company achieving positive net cash provided by operating activities (excluding any non-recurring charges) for fiscal 2013 as provided on the Company's final audited consolidated statements of cash flows for fiscal 2013 (the "Performance Goal") and as certified by the Compensation Committee of the Board. The Compensation Committee of the Board shall appropriately adjust any evaluation of performance under the Performance Goal to exclude (i) any extraordinary non-recurring items as detailed in the press release describing the results of operations for the applicable year, or (ii) the effect of any changes in accounting principles affecting the Company's or a business unit's reported results. If the Performance Goal has been achieved, 25% of this Award will vest on each anniversary of the Grant Date over four years ("Vesting Dates"), subject to your continued employment with the Company or one of its affiliates through each relevant Vesting Date.]

[ALTERNATIVE VESTING SCHEDULES AVAILABLE TO THE COMPENSATION COMMITTEE AND INCENTIVE AWARD COMMITTEE (CHOOSE ONE OF THE FOLLOWING):

- 50% on the two year anniversary of the Grant Date and 50% on four year anniversary of the Grant Date ("Vesting Dates"), subject to your continued employment with the Company or one of its affiliates through each relevant Vesting Date.
- 50% on the three year anniversary of the Grant Date and 50% on four year anniversary of the Grant Date ("Vesting Dates"), subject to your continued employment with the Company or one of its affiliates through each relevant Vesting Date.
- 100% on the four year anniversary of the Grant Date ("Vesting Date"), subject to your continued employment with the Company or one of its affiliates through the Vesting Date.]

Subject to the provisions of Sections 6, 13 and 14, shares of Common Stock will be issued in payment of the Award as soon as practicable upon or after each Vesting Date (but in each case no later than sixty (60) days following the Vesting Date), net of shares of Common Stock withheld by the Company to satisfy the minimum statutorily required federal, state, foreign and local tax withholding obligations, as provided in Section 10. You will have no right to receive shares under this Award unless and until the Restricted Stock Units vest.

3. Termination Of Employment.

- (a) If you cease to be employed due to your death or Disability (as defined below), then as of the first business day of the month following the date of termination of your employment, you will vest in the number of unvested Restricted Stock Units equal to the Pro Rata Number (as defined below). In such event, the Pro Rata Number of shares underlying the remaining Restricted Stock Units shall be delivered as of the first business day of the month following the date of termination of your employment, subject to the provisions of Sections 6, 13 and 14 below. The “Pro Rata Number” is defined as:

25% of the number of Restricted Stock Units subject to this Award multiplied by a fraction, the numerator of which is the number of full calendar months you continued employment with the Company from the most recently completed Vesting Date (or from the Grant Date for ceases of employment within twelve months of the Grant Date) through and including your termination date, and the denominator of which is 12. [NOTE: ADJUST, AS NECESSARY FOR ALTERNATIVE VESTING SCHEDULES.]

“Disability” is defined as any one or more of the following: (i) your 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 twelve (12) months; (ii) you are, 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 twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under the Company’s accident and health plan covering the Company’s employees; or (iii) you have been determined to be totally disabled by the Social Security Administration.

- (b) If you cease to be employed due to your Retirement (as defined below), then as of the first business day of the month following the date of termination of your employment, you will become immediately vested in any Restricted Stock Units that have not previously vested. In such event, all shares underlying any remaining Restricted Stock Units shall be delivered as of the first business day of the month following the date of termination of your employment, subject to the provisions of Sections 6, 13 and 14 below.

“Retirement” is defined as your termination of employment for a reason other than Disability or death subsequent to your having attained age 70 and having been employed by the Company or one of its affiliate for at least 15 years. Notwithstanding the preceding sentence, a termination will not be considered a Retirement if you are terminated for “Cause” by the Company or one of its affiliates. For this purpose, “Cause” shall be defined as (i) embezzlement, theft or misappropriation by you of any property of any of the Company or its affiliates; (ii) your breach of any fiduciary duty to the Company or its affiliates; (iii) your failure or refusal to comply with laws or regulations applicable to the Company or its affiliates and their businesses or the policies of the Company and its affiliates governing the conduct of its employees or directors; (iv) your gross incompetence in the performance of your job duties; (v) commission by you of a felony or of any crime involving moral turpitude, fraud or misrepresentation; (vi) your failure to perform duties consistent with a commercially reasonable standard of care; (vii) your failure or refusal to perform your job duties or to perform specific directives of your supervisor or designee, or the senior officers or Board of Directors of the Company; or (viii) any gross negligence or willful misconduct by you resulting in loss to the Company or its affiliates, or damage to the reputation of the Company or its affiliates.

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- (c) If you cease to be employed other than due to a termination described in (a) or (b) above, all then unvested Restricted Stock Units (including dividend equivalents, if any) awarded hereby shall immediately terminate without notice to you and shall be forfeited. For the purposes of this Agreement, termination of employment shall be considered to be the last day of your active service for the Company and its affiliates and such termination of employment date shall not be extended by any notice of termination period (or garden leave) required under applicable local law.
4. **No Employment Agreement.** Neither the Award nor the delivery to you of this Agreement or any other document relating to the Restricted Stock Units will confer on you the right to continued employment with or other service to the Company or any Parent or Subsidiary. You agree that this Agreement, the transactions contemplated hereunder and the vesting schedule set forth herein do not constitute an express or implied promise of continued employment or service for the vesting period, for any period, or at all, and will not interfere in any way with your right or the right of the Company (or the Parent or Subsidiary employing or retaining you) to terminate your employment or other service relationship at any time, with or without cause or notice provided compliant with applicable local law.
5. **[OPTIONAL (ADJUST SECTION REFERENCES IF DELETED)]:** Dividend Equivalents. During the period beginning on the Grant Date as indicated above and ending on the date that the Restricted Stock Unit is settled or terminates, whichever occurs first, you will accrue cash payments based on the cash dividend that would have been paid on the Restricted Stock Unit had the Restricted Stock Unit been an issued and outstanding share of Common Stock on the record date for the dividend. Such accrued dividends will vest and become payable upon the same terms and at the same time as the Restricted Stock Units to which they relate, including any delay in payment to which the related Restricted Stock Units may be subject pursuant to Sections 6 and 13 and will be paid in cash. Dividend equivalent payments will be net of federal, state, foreign and local withholding taxes to the extent such withholding is required.]
6. **Deferral.** If permitted by the Administrator, the issuance of the Common Stock issuable with respect to this Award may be deferred upon such terms and conditions as determined by the Administrator, subject to the Administrator's determination that any such right of deferral or any term thereof complies with applicable laws or regulations in effect from time to time. If you are located outside the U.S., you will not be permitted to elect to defer the settlement of your Restricted Stock Units.
7. **Nontransferable.** You may not sell, assign, pledge, encumber or otherwise transfer any interest in the Restricted Stock Units or the right to receive dividend equivalents thereon.
8. **Other Restrictions.** The issuance of Common Stock under this Award is subject to compliance by the Company and you with all applicable legal requirements applicable thereto and with all applicable regulations of any stock exchange on which the Common Stock may be listed at the time of issuance. The Company may delay the issuance of shares of Common Stock under this Award to ensure at the time of issuance there is a registration statement for the shares in effect under the Securities Act of 1933.
9. **Additional Provisions.** This Award is subject to the provisions of the Plan. Capitalized terms not defined in this Award are used as defined in the Plan. If the Plan and this Award are inconsistent, the provisions of the Plan will govern, except as specifically provided herein. Interpretations of the Plan and this Award by the Committee are binding on you and the Company.
10. **Tax Withholding.** You acknowledge that, regardless of any action taken by the Company or, if different, your employer, the ultimate liability for any or all income tax, social insurance contributions, payroll tax or other tax-related items related to your participation in the Plan and legally applicable to you ("Tax-Related Items") is and remains your responsibility and may exceed the amount withheld by the Company or your employer. You further acknowledge that the Company and/or your employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award and (2) do not commit to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Company and/or your employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

You agree that the Company may satisfy such withholding by any or a combination of the following methods: (i) by requiring you to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to you; (iii) by the Company withholding a number of shares issuable in respect of the Award having a fair market value equal to the amount of Tax-Related Items that the Company determines it or your employer is required to withhold; and/or (iv) arranging for the Company's designated broker (if any, or any broker acceptable to the Company) to sell shares on the Vesting Date having a fair market value equal to the amount of Tax-Related Items that the Company determines it is required to withhold (and, in the case of using the Company's designated broker, you authorize such sale by accepting the terms of this Award). If the obligation for Tax-Related Items is satisfied by withholding in shares, for tax purposes, you are deemed to have been issued the full number of shares subject to the vested Award, notwithstanding that a number of the shares are held back solely for the purpose of paying the Tax-Related Items.

If the Tax-Related Items are not satisfied for any reason or if you otherwise fail to comply with your obligations in connection with the Tax-Related Items as described in this section, the Company may refuse to deliver the shares pursuant to this Award.

11. **Address for Notices.** Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of its Stock Plan Administrator, at 3250 Van Ness Avenue, San Francisco, CA 94109 USA, or at such other address as the Company may hereafter designate in writing.

12. **Non-accrual of Rights.** In accepting your Award, you acknowledge that:

- the Plan is established voluntarily by the Company; it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Award Agreement;
- the grant of your Award is voluntary and occasional and does not create any contractual or other right to receive future grants of awards, or benefits in lieu of awards, even if awards have been granted in the past;
- all decisions with respect to future Awards under the Plan, if any, will be at the sole discretion of the Company;
- you are voluntarily participating in the Plan;
- the Award and the shares of Common Stock subject to the Award are not intended to replace any pension rights or compensation;
- the Award and the shares of Common Stock subject to the Award, and the income and value of same, are not part of normal or expected compensation or salary for any purpose, including, but not limited to, for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- the future value of the shares of Common Stock subject to your Award is unknown, indeterminable and cannot be predicted with certainty;
- no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from the termination of your employment or other service relationship (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment or service agreement, if any), and in consideration of the grant of the Award to which you are otherwise not entitled, you irrevocably agree never to institute any such claim against the Company or any Subsidiary, waive your ability, if any, to bring any such claim, and release the Company and all Subsidiaries from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;
- unless otherwise provided in the Plan or determined by the Company in its discretion, the Award and the benefits evidenced by this Award Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and

- you acknowledge and agree that neither the Company nor any Subsidiary shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Award or of any amounts due to you pursuant to the settlement of the Award, the payment of dividend equivalents or the subsequent sale of any shares of Common Stock acquired upon settlement.

13. **409A Settlement Provisions.** *Please note Sections 13 and 14 are applicable only to U.S. taxpayers.* Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with your Retirement or other termination of employment (provided that such termination is a “separation from service” within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) you are a “specified employee” within the meaning of Section 409A at the time of such termination and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to you on or within the six (6) month period following your termination of employment, then the payment of such accelerated Restricted Stock Units otherwise payable to you during such six (6) month period will accrue and will be paid to you on the date six (6) months and one (1) day following the date of your termination of employment, unless you die following your termination of employment, in which case, the Restricted Stock Units will be paid in shares of Common Stock to your estate as soon as practicable following your death. It is the intent of this Agreement to comply with, or be exempt from, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Agreement or shares of Common Stock issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply or be exempt. For purposes of this Agreement, “Section 409A” means Section 409A of the Internal Revenue Code of 1986, as amended, and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

14. **Transactions.**

(a) **Section 409A Change of Control.** In the event of a Transaction that qualifies as a change in the ownership or 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 (each, a “409A Change of Control”):

(i) **Following Share Deferral.** If you have elected to defer receipt of your shares of Common Stock such that this Award is subject to Section 409A:

(x) **Vested Deferred Shares.** With respect to the then-vested but deferred shares of Common Stock subject to this Award, regardless of whether such portion of the Award is or is not assumed or substituted for as provided in Section 17 of the Plan, your deferral of such shares shall cease immediately upon the Transaction and the shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable to you in connection with this portion of the Award will be delivered to you as soon as practicable following the date on which such Transaction is consummated (and, subject to the provisions of Section 13, within sixty (60) days of the consummation of the Transaction).

(y) **Unvested Restricted Stock Units.** With respect to then-unvested Restricted Stock Units subject to this Award:

(1) If such portion of the Award is not assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award will vest 100% immediately prior to its termination pursuant to Section 17 of the Plan, your deferral of such shares shall cease immediately upon the Transaction and the shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable to you in connection with this portion of the Award will be delivered to you as soon as practicable following the date on which such Transaction is consummated (and, subject to the provisions of Section 13, within sixty (60) days of the consummation of the Transaction).

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- (2) If such portion of the Award is assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award shall continue to vest in accordance with the terms of this Agreement and the Plan and be delivered to you in accordance with the applicable deferral election (subject to Section 13 hereof).
- (ii) **Following Retirement Eligibility.** If you are eligible for Retirement on the date of consummation of the 409A Change of Control such that this Award is subject to Section 409A, and have not elected to defer receipt of your shares of Common Stock, then with respect to then-unvested Restricted Stock Units subject to this Award:
- (x) If such portion of the Award is not assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award will vest 100% immediately prior to its termination pursuant to Section 17 of the Plan, and all the shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable to you in connection with this portion of the Award will be delivered to you as soon as practicable following the date on which such Transaction is consummated (and, subject to the provisions of Section 13, within sixty (60) days of the consummation of the Transaction).
- (y) If such portion of the Award is assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award shall continue to vest in accordance with the terms of this Agreement and the Plan and be delivered to you on the same dates specified under the terms of this Agreement (including, but not limited to Sections 2, 3 and 13 hereof).
- (iii) **Following Both Share Deferral and Retirement Eligibility.** If you are both eligible for Retirement on the date of consummation of the 409A Change of Control and have elected to defer receipt of your shares of Common Stock, such that this Award is subject to Section 409A, the provisions of Section 14(a)(i) (“Section 409A Change of Control – Following Share Deferral”) shall apply.
- (iv) **No Deferral or Retirement Eligibility.** If you are not eligible for Retirement on the date of consummation of the 409A Change of Control and have not elected to defer receipt of your shares of Common Stock, such that this Award is exempt from Section 409A, the then-unvested Restricted Stock Units subject to this Award will be treated pursuant to Section 17 of the Plan, subject to the provisions of Section 13 hereof.
- (b) **Non-Section 409A Change of Control.** In the event of a Transaction that does not qualify as a 409A Change of Control:
- (i) **Following Share Deferral.** If you have elected to defer receipt of your shares of Common Stock such that this Award is subject to Section 409A:
- (x) **Vested Deferred Shares.** With respect to the then-vested but deferred shares of Common Stock subject to this Award, regardless of whether such portion of the Award is or is not assumed or substituted for as provided in Section 17 of the Plan, the shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable to you in connection with this portion of the Award will be delivered to you on the same dates specified in your deferral election (subject to Section 13 hereof).
- (y) **Unvested Restricted Stock Units.** With respect to then-unvested Restricted Stock Units subject to this Award:

- (1) If such portion of the Award is not assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award will vest 100% immediately prior to its termination pursuant to Section 17 of the Plan, but the shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable to you in connection with this portion of the Award will be delivered to you on the same dates specified in your deferral election (subject to Section 13 hereof), in each case regardless of any acceleration of the vesting of such Restricted Stock Units which may occur in connection with the Transaction.
 - (2) If such portion of the Award is assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award shall continue to vest in accordance with the terms of this Agreement and the Plan and be delivered to you in accordance with the applicable deferral election (subject to Section 13 hereof).
- (ii) **Following Retirement Eligibility.** If you are eligible for Retirement on the date of consummation of the non-409A Change of Control such that this Award is subject to Section 409A, and have not elected to defer receipt of your shares of Common Stock, then with respect to then-unvested Restricted Stock Units subject to this Award:
- (x) If such portion of the Award is not assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award will vest 100% immediately prior to its termination pursuant to Section 17 of the Plan, but the shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable to you in connection with this portion of the Award will be delivered to you on the same dates specified under the terms of this Agreement (including, but not limited to Sections 2, 3 and 13 hereof), regardless of any acceleration of the vesting of such Restricted Stock Units which may occur in connection with the Transaction.
 - (y) If such portion of the Award is assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award shall continue to vest in accordance with the terms of this Agreement and the Plan and, regardless of any acceleration of the vesting of such Restricted Stock Units which may occur in connection with the Transaction, be delivered to you on the same dates specified under the terms of this Agreement (including, but not limited to Sections 2, 3 and 13 hereof).
- (iii) **Following Both Share Deferral and Retirement Eligibility.** If you are both eligible for Retirement on the date of consummation of the non-409A Change of Control and have elected to defer receipt of your shares of Common Stock, such that this Award is subject to Section 409A, the provisions of Section 14(b)(i) (“Non-Section 409A Change of Control – Following Share Deferral”) shall apply.

No Deferral or Retirement Eligibility. If you are not eligible for Retirement on the date of consummation of the non-409A Change of Control and have not elected to defer receipt of your shares of Common Stock, such that this Award is exempt from Section 409A, the then-unvested Restricted Stock Units subject to this Award will be treated pursuant to Section 17 of the Plan, subject to the provisions of Section 13 hereof.

15. **Governing Law and Venue.** The Award and the provisions of this Agreement are governed by, and subject to, the laws of the State of California without regard to the conflict of law provisions, as provided in the Plan. Further, for purposes of any action, lawsuit or other proceedings brought to enforce this Agreement, relating to it, or arising from it, the parties hereby submit to and consent to the sole and exclusive jurisdiction of the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

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16. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
 17. **Severability and Waiver.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable. Further, you acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other Plan participant.
 18. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on your participation in the Plan, on the Award and on any shares of Common Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
 19. **No Advice.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan or your acquisition or sale of Common Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.
 20. **Language.** If Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.
 21. **Country-Specific Appendix.** Notwithstanding any provisions in this Agreement or the Plan, the grant of Restricted Stock Units shall be subject to any special terms and conditions as set forth in the Appendix to this Agreement for your country of residence. In addition, for U.S. taxpayers, the U.S. provisions in the Appendix will apply and may modify the timing of settlement of Restricted Stock Units for you. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

[INSERT SIGNATURE LINE FOR INDIVIDUALS OUTSIDE OF U.S.]

Separation Agreement & General Release

This Separation Agreement and General Release (the “Agreement”) is entered into by and between Richard Harvey (“Executive”) and Williams-Sonoma Inc. (“WSI”), in final resolution of all existing and potential claims and disputes between them, as provided below.

1. Executive terminates from his employment effective as of, and his employment will cease on, May 3, 2013 (the “Separation Date”). This Agreement operates as a full and final settlement and resolution of all past and present claims, potential claims and disputes that Executive has or may have against WSI and/or WSI’s predecessors, affiliates, parents, subsidiaries, officers, directors, employees or agents, including all claims related in any way to Executive’s employment with WSI and/or separation from employment with WSI.

2. In consideration of the releases and agreements set forth below, the parties agree to the following:

A. Salary, Benefits and Stock: In consideration of the Executive’s additional promises and releases set forth below, WSI shall pay Executive the following benefits:

(i) On the Separation Date, Executive shall be paid all wages and accrued vacation owed him.

(ii) For the twenty-four months following his Separation Date (the “Payment Period”), Executive shall be entitled to receive ongoing payments of his salary, less applicable withholding, at the rate effective on the Separation Date (specifically, \$675,000 per year), on the existing payroll schedule applicable to officers of the Company. Such payments will commence on the first such scheduled payroll date following the Separation Date.

(iii) In lieu of continued employee benefits (other than as statutorily required, such as COBRA continuation coverage as required by law), Executive shall receive payments of three thousand five hundred dollars (\$3,500) per month for twenty-four months from the Separation Date, on the existing payroll schedule applicable to officers of the Company. Such payments will commence on the first such scheduled payroll date following the Separation Date.

(iv) Executive’s 25,000 restricted stock units that are otherwise scheduled to vest on March 25, 2014, including any related dividend equivalent, shall vest immediately; and

(v) Executive shall be entitled to receive a lump-sum payment of \$50,000, less applicable withholding, for outplacement and other transition-related expenses, at Executive’s discretion.

Notwithstanding the foregoing, in the event that Executive materially violates any of the covenants set forth in Section 14 or Section 16, all payments and benefits described in this Section 2.A. (other than in Section 2.A.(i)) shall cease and Executive shall forfeit any and all rights to receive them.

B. All payments shall be treated as wages and will be subject to withholding of applicable taxes, employee social security contributions and other amounts under applicable law.

C. Executive agrees and acknowledges that after May 3, 2013 he will no longer be an employee of WSI which means, without limitation, that: (a) he will not earn or accrue any paid personal leave or vacation; (b) he shall not be eligible for active employee coverage under WSI's medical, dental and/or vision plans provided that his current health coverage will extend through May 31, 2013; and (c) he shall not participate in or contribute to any WSI-sponsored employee benefit plan or program or any compensatory arrangement of any kind (except under COBRA, if timely elected by Executive and his covered dependents). Executive further agrees that for purposes of determining any employee benefits owed to him and other for compensatory purposes, his employment shall be treated as having been terminated effective on the Separation Date. Executive acknowledges and agrees that he shall not receive or be entitled to additional grants of stock or other equity based awards after the Separation Date, nor shall his previously granted stock options or other equity awards vest after the Separation Date except as set forth in Section 2.A.(iv) hereof. Executive shall have such period of time from the Separation Date to exercise his stock options as set forth in the applicable option grant agreements.

3. Executive will be entitled to receive his vested benefits under the Williams-Sonoma, Inc. 401(k) Plan.

The provisions of Section 2 and Section 3 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive may otherwise be entitled, whether at law, tort or contract, in equity, or under any agreement, plan or arrangement (other than the payment of accrued but unpaid wages, as required by law, and any unreimbursed reimbursable expenses). Executive will be entitled to no other severance, benefits, compensation or other payments or rights upon a termination of employment, including, without limitation, any severance payments and/or benefits provided in any employment-related agreement or management retention agreement, other than those benefits expressly set forth in Sections 2 and 3 of this Agreement or pursuant to written equity award agreements with WSI.

4. In addition to retiring from his officer position with WSI, Executive further agrees to resign, effective upon the Separation Date, from any position as an officer or director of any subsidiary or related company of WSI. At WSI's request, Executive will complete all necessary paperwork and provide such necessary information to effectuate those resignations. Executive waives any rights to give or receive notice with respect to such resignations.

5. Executive agrees that he shall cooperate with WSI to transition his duties and responsibilities in a mutually respectful manner.

6. Executive agrees to return any laptop, mobile devices, iPad, cell phone and other WSI property he received through employment at WSI by no later than May 3, 2013.

7. In consideration of the payments and other benefits made to Executive in accordance with paragraph 2 above, which are in addition to anything Executive is otherwise

entitled to receive from WSI, Executive fully and forever discharges WSI, all affiliated and related companies and their predecessors, successors and assigns, as well as each of their officers, directors, employees, agents, representatives and shareholders (collectively, the "Released Parties") from all liability upon claims and causes of action of any nature whatsoever, known and unknown, suspected and unsuspected, which Executive may have against the Released Parties as of the effective date of this Agreement. This release includes any claims under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the California Fair Employment and Housing Act, the California Labor Code, including but not limited to Section 132a, and any other claims arising from his employment, including under the laws of contracts, torts, otherwise. This release does not include claims that cannot be released as a matter of law, such as those for indemnity under Labor Code § 2802 or Executive's Indemnity Agreement.

WSI, on behalf of itself and all of its subsidiaries, affiliates, directors and officers, voluntarily, knowingly and willingly releases and forever discharges Executive from any and all charges, complaints, claims, promises, agreements, controversies, causes of action and demands of any nature whatsoever which WSI or its subsidiaries, affiliates, directors, administrators, successors or assigns ever had, now have or hereafter can, shall or may have by reason of any matter, cause or thing whatsoever arising through and including the Separation Date.

8. Executive represents that he has carefully read and fully understands all of the terms of the Agreement, and that he has had the opportunity to and in fact has sought legal advice and assistance. Executive further represents that he knowingly and voluntarily agrees to all of the terms set forth in this Agreement and that he was not coerced to enter into this Agreement.

9. Both parties agree and acknowledge that this release extends to unknown and unsuspected claims and causes of action. Accordingly, Executive and WSI each agree to waive their rights under Section 1542 of the California Civil Code, which provides that:

A general release does not extend to claims which the creditor does not know or suspect to exist in his/her favor at the time of executing the release, which if known by her/him, must have materially affected her/his settlement with the debtor.

10. Executive acknowledges that WSI is not entering into this Agreement because it believes that Executive has any cognizable legal claim against the Released Parties as defined above. Executive acknowledges that the purpose of this Agreement is to provide for a mutually acceptable transition of his employment upon his retirement and to settle all potential disputes between the parties, while at the same time protecting the Released Parties and Executive from the expense and disruption that is so often incurred in a lawsuit. If Executive elects not to sign this Agreement, the fact that this Agreement was offered in the first place will not be understood as an indication that the Released Parties believed Executive was discriminated against or treated unlawfully in any respect and/or was entitled to the consideration offered pursuant to this Agreement.

11. Executive warrants and represents that he has not filed and has not assigned any claims or causes of action covered by the release in this Agreement which have not been dismissed, closed, withdrawn or otherwise terminated either prior to or as part of this Agreement.

12. The parties hereto represent and acknowledge that in executing this Agreement, they have not relied upon any representation or statement made by any of the parties or by any of the parties' agents, attorneys or representatives with regard to the subject matter, basis or effect of this Agreement, other than those specifically stated in this written Agreement.

13. Executive agrees that except as otherwise expressly provided in this Agreement, prior to the Company's public disclosure of this Agreement, the terms of this Agreement may not be disclosed in whole or in part to any individual or any other entity, except (i) Executive's spouse, (ii) tax adviser, (iii) legal counsel, and (iv) on WSI's side, employees, agents or representatives of WSI who have a need to know in order to perform their job duties, including the successful implementation of the terms of this Agreement, or as may be required by law or reasonable business necessity. Executive specifically agrees that his spouse, lawyer, and tax advisor have been fully briefed on, and will comply with, this confidentiality provision, and that any breach by his spouse, lawyer, and/or tax advisor of this confidentiality provision will be a breach by Executive and will subject him to claims by WSI for damages.

14. Executive shall, at all times, hold in a fiduciary capacity for the benefit of WSI or any subsidiary or affiliate companies (the "Control Group") all secret or confidential information, knowledge, or data relating to the Control Group or its business (which shall be defined as all such information, knowledge, and data coming to the Executive's attention by virtue of his employment at WSI except that which is otherwise public knowledge or generally known within WSI's industry). Executive shall not at any time, without prior written consent of WSI, unless compelled pursuant to the order of a court or other body having jurisdiction over such matter or unless required by lawful process or subpoena, communicate or divulge any such information, knowledge or data to anyone other than the Control Group and those designated by it, or use any such information, knowledge or data, other than for the benefit of the Control Group.

Executive shall not, at any time, make any statements or comments (i) to any form of media or likely to come to the attention of any form of media of a negative nature that reasonably could be considered to have an adverse impact on the business or reputation of the Control Group, WSI's Board of Directors (the "Board") or any senior officer of the Control Group, or (ii) to any employee of the Control Group or to any supplier or customer of the Control Group of a negative nature that reasonably could be considered to have an adverse impact on the business or reputation of the Control Group or the Board or any senior officer of the Control Group. WSI's CEO, the CEO's direct reports and WSI's Board of Directors shall not disparage Executive in any manner likely to be harmful to Executive or his business, business reputation or personal reputation; provided that both parties may respond accurately and fully (i) where required in compliance with legal process or subpoena, (ii) in response to inquiry from a court or regulatory body, or (iii) in response to inquiry from the Board.

While Executive is receiving any amounts pursuant to Section 2 hereof, Executive will not directly or indirectly recruit, solicit or induce, or attempt to induce, any employee, consultant or vendor of the Control Group to terminate employment or any other relationship with the Control Group. Executive acknowledges that the restrictions contained in this paragraph are necessary for the protection of the business and goodwill of the Control Group and are considered by Executive to be reasonable for such purpose.

Executive acknowledges and agrees that all intellectual property created, made or conceived by Executive (solely or jointly), at any time while he was employed by WSI, shall be owned exclusively by WSI. In addition, Executive agrees that this Agreement shall constitute an assignment to WSI of Executive's residual intellectual property rights, if any, in all such work, and agrees to assist WSI with securing patents, registering copyrights and trademarks, and obtaining any other forms of intellectual property protection in the United States and in other countries. For purposes of this Agreement, "intellectual property" includes business ideas and methods, confidential information, inventions, product designs, artwork, graphic designs (including, for example, catalog designs, in-store signage and posters), web page designs, audio/visual works, package designs, store interior and exterior designs, trademarks, and any other works of authorship, any of which relates to the actual or anticipated business of the Control Group or results from or is suggested by any work performed by employees for or on behalf of the Control Group.

Notwithstanding any other provision of this Agreement, in the event of a breach or threatened breach by Executive of any provision of this Section 14, Executive and WSI agree that WSI shall be entitled to injunctive and declaratory relief from a court of competent jurisdiction to restrain Executive from committing such breach of this Agreement.

The provisions of this Section 14 shall survive the termination of Executive's employment with WSI; provided, however, that the provisions shall cease to apply after WSI's uncured failure to fulfill its obligations to Executive under Section 2 of this Agreement after WSI is provided with written notice by Executive thereof and a thirty day period in which to cure such alleged failure.

15. In the event that Executive is made a party to or is threatened to be made a party to or is involuntarily involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "Proceeding"), by reason of the fact that he was an officer of the Company or was serving (during such person's tenure as officer) at the request of WSI, any other corporation, partnership, joint venture, trust or other enterprise in any capacity, whether the basis of a Proceeding is an alleged action in an official capacity as an officer or in any other capacity while serving as an officer, shall be indemnified and held harmless by WSI to the fullest extent authorized 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 WSI to provide broader indemnification rights than said law permitted WSI to provide prior to such amendment), against all expenses, liability and loss (including attorneys' fees, judgments, fines, or penalties and amounts to be paid in settlement) reasonably incurred or suffered by Executive in connection therewith. The right to indemnification conferred in this Section 15 shall be a contract right and shall include the right to be advanced by WSI the expenses to be incurred in

defending a Proceeding in advance of its final disposition; provided, however, that, if Delaware Law requires, the payment of such expenses in advance of the final disposition of a Proceeding shall be made only upon receipt by the corporation of an undertaking by or on behalf of Executive to repay all amounts so advanced if it shall ultimately be determined that he is not entitled to be indemnified under this Section 15 or otherwise. No amendment to or repeal of this Section 15 shall apply to or have any effect on any right to indemnification provided hereunder with respect to any acts or omissions occurring prior to such amendment or repeal.

The rights conferred in this Section 15 shall not be exclusive of any other rights which Executive may have or hereafter acquire under any statute, provision of the Articles of Incorporation, bylaw, agreement, vote of shareholders or disinterested directors or otherwise, to the extent the additional rights to indemnification are authorized in the Articles of Incorporation of the corporation.

16. In consideration of this Agreement, Executive will fully cooperate with WSI and its counsel as it relates, in any way, to any issue or matter that may arise as the subject of litigation or administrative inquiry, which occurred during his employment with or other services to WSI. Full cooperation shall include, but not limited to, review of documents, attendance at meetings, trial or administrative proceedings, depositions, interviews, or production of documents to WSI without the need of the subpoena process. In addition, as a condition to WSI executing this Agreement and providing the benefits hereunder, Executive agrees to cooperate in all matters relating to the transition of his employment (including with respect to internal and external communication plans) and other matters reasonably requested by the Board of Directors of WSI, whether before or after the Separation Date. Such cooperation shall be at mutually convenient times and places, and be subject to reasonable reimbursement of Executive's time and expenses.

17. This Agreement shall be binding upon and shall inure to the benefit of the parties and their heirs, administrators, representatives, executors, successors and assigns.

18. Except as otherwise specified herein, this Agreement and all rights, duties and remedies hereunder shall be governed by and construed and enforced in accordance with the laws of the State of California, without reference to its choice of law rules. Any party alleging breach of the Agreement shall pursue claims, if any, in arbitration under the commercial (and not the employment) rules of the Judicial Arbitration and Mediation Services (JAMS). The Arbitrator shall be empowered to award the party prevailing in any such arbitration its fees and costs; provided, however that the Company shall advance all JAMS arbitration fees. Before the filing of such claims, the parties agree to engage in mediation, in good faith with intent to attempt to resolve their disputes, through a mutually agreed upon mediator.

19. This Agreement sets forth the entire agreement between the parties hereto and fully supersedes any and all prior agreements or understandings, written or oral, between the parties hereto pertaining to the subject matter hereof. Without limiting the foregoing, if there are any conflicts between this Agreement and the Employment Agreement, this Agreement shall control.

20. Upon receipt of an invoice provided by Executive, WSI shall reimburse Executive in any amount not to exceed \$10,000 for payment of his fees, legal costs and related expenses, if any, incurred in connection with the matters resolved by this agreement. This amount shall be reimbursed no later than December 31, 2013.

21. Executive acknowledges and agrees that neither WSI nor its advisors have made any representations to him regarding the tax consequences to Executive of any compensation or benefits subject to this Agreement. Such tax consequences are solely Executive's responsibility.

22. This Agreement is intended to be exempt from or comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be exempt or so comply. Executive agrees to amend this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition to Executive under Section 409A, so long as such amendment or action does not reduce Executive's benefits hereunder. Without limiting Section 21 hereof, in no event will WSI reimburse Executive for any taxes that may be imposed on Executive as a result of Section 409A.

23. Executive warrants that he has been advised to review this Agreement with legal counsel and that he has been supplied with, has read and has had an opportunity to discuss the terms of this Agreement with his attorneys. Executive further warrants that he fully understands the contents and effect of this document, approves and accepts the terms and provisions of this Agreement, agrees to be bound thereby, and signs the same of his own free will. Executive has twenty-one days to review the Agreement, although he need not take all of that time, and shall have seven (7) days after he signs this Agreement to reconsider and revoke this Agreement. Any revocation of this Agreement by Executive following his execution of this Agreement must be in writing and delivered to Linda Lewis, whose address is 3250 Van Ness Avenue, San Francisco, CA 94109 no later than the close of business of the seventh (7th) day following Executive's execution of this Agreement. Provided no revocation is delivered, the Effective Date of this Agreement shall be the day after the expiration of the revocation period or the day of notice by WSI that the condition has been removed, whichever is later.

Agreed to this 3rd day of May, 2013.

/s/ Richard Harvey

Richard Harvey

/s/ Laura Alber

By: Laura Alber
Williams-Sonoma, Inc.

CERTIFICATION

I, Laura J. Alber, certify that:

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

Date: June 14, 2013

By: /s/ Laura J. Alber

Laura J. Alber
Chief Executive Officer

CERTIFICATION

I, Julie P. Whalen, certify that:

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

Date: June 14, 2013

By: /s/ Julie P. Whalen
Julie P. Whalen
Chief Financial Officer

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended May 5, 2013 of Williams-Sonoma, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Laura J. Alber, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

By: /s/ Laura J. Alber

Laura J. Alber
Chief Executive Officer

Date: June 14, 2013

**CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended May 5, 2013 of Williams-Sonoma, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Julie P. Whalen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

By: /s/ Julie P. Whalen

Julie P. Whalen
Chief Financial Officer

Date: June 14, 2013

