

BJS WHOLESALE CLUB INC  
Form DEF 14A  
April 11, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No.    )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**BJ s Wholesale Club, Inc.**

---

(Name of Registrant as Specified in Its Charter)

---

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

---

(4) Date Filed:

---

**One Mercer Road**

**Natick, Massachusetts 01760**

April 14, 2008

Dear Shareholder:

I invite you to attend our 2008 Annual Meeting of Shareholders on Thursday, May 22, 2008, at 11:00 a.m. at the Courtyard by Marriott, 342 Speen Street, Natick, Massachusetts. At this meeting, you will be asked to elect three directors, to approve the 2008 Amended and Restated Management Incentive Plan, to approve the 2008 Amended and Restated Growth Incentive Plan and to ratify the Audit Committee's selection of our independent registered public accounting firm.

Please take your opportunity to vote. Your vote is important.

Sincerely,

Herbert J Zarkin

*Chairman of the Board and*

*Chief Executive Officer*

LOGO

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**May 22, 2008**

---

The 2008 Annual Meeting of Shareholders of BJS Wholesale Club, Inc. will be held at the Courtyard by Marriott, 342 Speen Street, Natick, Massachusetts, on Thursday, May 22, 2008, at 11:00 a.m. Eastern Time. At the meeting, shareholders will consider and vote on the following matters:

1. Election of three directors to serve until the 2011 Annual Meeting of Shareholders;
2. Approval of the 2008 Amended and Restated Management Incentive Plan;
3. Approval of the 2008 Amended and Restated Growth Incentive Plan; and
4. Ratification of the Audit Committee's selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending January 31, 2009.

The shareholders will also act on any other business that may properly come before the meeting.

Shareholders of record at the close of business on April 7, 2008, may vote at the meeting.

By Order of the Board of Directors

Lon F. Povich

*Secretary*

Natick, Massachusetts

April 14, 2008

**PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD, OR SUBMIT YOUR VOTE AND PROXY BY TELEPHONE OR BY INTERNET IN ACCORDANCE WITH THE INSTRUCTIONS ON YOUR PROXY CARD.**

**IF YOU ARE PRESENT AT THE MEETING, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON.**

## **BJ s WHOLESALE CLUB, INC.**

### **ANNUAL MEETING OF SHAREHOLDERS**

**May 22, 2008**

### **PROXY STATEMENT**

---

We are sending you this proxy statement and the enclosed proxy card because the Board of Directors of BJ s Wholesale Club, Inc. ( we, our, BJ s or the Company ) is soliciting your proxy to vote your shares at the annual meeting of shareholders to be held at the Courtyard by Marriott, 342 Speen Street, Natick, Massachusetts, 11:00 a.m. Eastern Time, on May 22, 2008 and at any adjournment or adjournments of that meeting. You may obtain directions to the location of the annual meeting by contacting our Investor Relations Department, BJ s Wholesale Club, Inc. One Mercer Road, Natick, Massachusetts 01760, telephone (508) 651-6610.

Unless you give different instructions, shares represented by properly executed proxies will be voted FOR the election of the three director nominees set forth below, FOR the approval of the 2008 Amended and Restated Management Incentive Plan, FOR the approval of the 2008 Amended and Restated Growth Incentive Plan, and FOR the ratification of the selection of our independent registered public accounting firm. You may revoke your proxy at any time before it is exercised by delivering a written revocation to the Secretary of BJ s at the address below, by delivering another proxy with a later date or by requesting at the meeting that your proxy be revoked.

Shareholders of record at the close of business on April 7, 2008 are entitled to vote at the meeting. Each share of BJ s common stock, par value \$.01 ( common stock ), outstanding on the record date is entitled to one vote, other than shares owned directly or indirectly by BJ s. As of the close of business on April 7, 2008, there were outstanding and entitled to vote 59,742,139 shares of common stock.

This proxy statement, the enclosed proxy card and the Annual Report of the Company for the fiscal year ended February 2, 2008, were first mailed to shareholders on or about April 14, 2008.

#### **Important Notice Regarding the Availability of Proxy Materials for the**

**Annual Meeting of Shareholders to be held on May 22, 2008**

**This proxy statement and the Annual Report of the Company for the fiscal year ended February 2, 2008 are available at <http://bnymellon.mobular.net/bnymellon/bj>.**

Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

To request a printed copy of the proxy statement, annual report and form of proxy relating to our future shareholder meetings, visit [www.bjsinvestor.com](http://www.bjsinvestor.com), telephone: 508-651-6610, or send an email to [investor@bjs.com](mailto:investor@bjs.com).

**A copy of the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2008 as filed with the Securities and Exchange Commission (the SEC), except for exhibits, will be furnished without charge to any shareholder upon written or oral request to the Corporate Secretary at the Company's address, which is BJ's Wholesale Club, Inc., One Mercer Road, Natick, Massachusetts 01760. Exhibits will be provided upon written request and payment of an appropriate processing fee.**

Fiscal year references apply to the Company's fiscal year that ends on the Saturday closest to January 31 of the following year. For example, the fiscal year ended February 2, 2008, is referred to as 2007 or fiscal 2007.



## Vote Required

The representation in person or by proxy of at least a majority of the shares of common stock issued, outstanding and entitled to vote at the annual meeting is necessary to establish a quorum for the transaction of business. If a quorum is not present, the meeting will be adjourned until a quorum is obtained. For purposes of determining the presence or absence of a quorum, abstentions and broker non-votes (where a broker or nominee does not exercise discretionary authority to vote on a proposal) will be counted as present.

If a quorum is present at the annual meeting, the vote required to adopt each of the four scheduled proposals will be as follows:

*Election of Directors.* Under the Company's by-laws, other than in a contested election meeting (as defined in the by-laws), a nominee for director will be elected if the votes cast for such nominee exceed the votes cast against such nominee. Abstentions and broker non-votes will not be counted as a vote for or against a nominee, and therefore, will have no effect on the outcome of the election.

*Approval of the 2008 Amended and Restated Management Incentive Plan, Approval of the 2008 Amended and Restated Growth Incentive Plan and Ratification of Independent Registered Public Accounting Firm.* Under the Company's by-laws, the affirmative vote of the holders of a majority of the votes cast will be required for approval of these proposals. Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the outcome of these proposals.

## Electronic Voting

Any shareholder who owns shares of common stock of record may authorize the voting of its shares over the Internet at [www.eproxy.com/bj](http://www.eproxy.com/bj), or by telephone by calling 1-866-586-9477, 24 hours a day, 7 days a week, and by following the instructions on the enclosed proxy card. Authorizations submitted over the Internet or by telephone must be received by 5:00 p.m., Eastern Time, on May 21, 2008.

If a shareholder owns shares held in street name by a bank or brokerage firm, the shareholder's bank or brokerage firm will provide a voting instruction form to the shareholder with this proxy statement that may be used to direct how the shares will be voted. Many banks and brokerage firms also offer the option of voting over the Internet or by telephone, instructions for which would be provided by the shareholder's bank or brokerage firm on the voting instruction form.

## Participants in BJS Wholesale Club, Inc. 401(k) Savings Plans

If you participate in either the BJS Wholesale Club, Inc. 401(k) Savings Plan for Salaried Employees or the BJS Wholesale Club, Inc. 401(k) Savings Plan for Hourly Employees and hold Company stock in your account, you may vote an amount of shares of common stock equivalent to the interest in the Company's common stock credited to your account as of the record date. Fidelity Management Trust Company (Fidelity) will have a proxy card sent to you that you may use to direct Fidelity to vote your shares on your behalf. The proxy card should be signed and returned in the provided envelope to The Bank of New York, the Company's transfer agent and registrar, or you may authorize the voting of these shares over the Internet or by telephone by following the instructions on the provided proxy card. The Bank of New York will notify only Fidelity of the manner in which you have voted your shares. Fidelity will vote the shares in the manner directed on the proxy card (or as authorized over the Internet or by telephone). If The Bank of New York does not receive a signed proxy card or the authorization of the voting of your shares over the Internet or by telephone from you by 5:00 p.m., Eastern Time, on May 20, 2008, there can be no assurance that Fidelity

Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

will be able to follow your instructions. If you fail to timely submit your instruction to The Bank of New York, Fidelity will vote your shares of common stock held in the BJ's Common Stock Fund as of the record date in the same manner, proportionally, as it votes the other shares of common stock for which proper and timely voting instructions of other plan participants have been received by Fidelity.

**PROPOSAL ONE**

**ELECTION OF DIRECTORS**

BJ's Amended and Restated Certificate of Incorporation and by-laws provide for the classification of the Board of Directors into three classes, as nearly equal in number as possible, with the term of office of one class expiring each year. Your proxy will be voted to elect the three nominees named below, unless otherwise instructed, as directors for a term of three years expiring at the 2011 Annual Meeting of Shareholders and until their respective successors are duly elected and qualified. The Board of Directors has voted to fix the number of directors at nine. Lorne R. Waxlax, whose term expires at this year's annual meeting, will not stand for re-election. We have nominated Michael J. Sheehan, whose term currently expires at the 2009 Annual Meeting of Shareholders, to replace Mr. Waxlax in the class of directors being considered for election at the annual meeting for a term expiring in 2011. If the three nominees are elected at the annual meeting, we will then have one vacancy in the class of directors whose term expires in 2009.

The three nominees, each of whom currently serves as a director of the Company, have indicated their willingness to serve, if elected. If a nominee becomes unavailable, your proxy will be voted either for another nominee proposed by the Board of Directors or a lesser number of directors as proposed by the Board of Directors. As required by our corporate governance guidelines as described under Policy Regarding Holdover Directors on page 9, each nominee for director has tendered an irrevocable resignation that will become effective if he or she fails to receive the required vote in an uncontested election at the annual meeting and the Board accepts the tendered resignation. In addition, Mr. Sheehan has tendered a resignation as a director from the class whose terms expire in 2009, which will become effective if he is elected at the annual meeting to the class whose terms expire in 2011.

No director or executive officer is related by blood, marriage or adoption to any other director or executive officer. No arrangements or understandings exist between any director or person nominated for election as a director and any other person pursuant to which such person is to be selected as a director or nominee for election as a director.

**THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE THREE NOMINEES FOR ELECTION AS DIRECTORS**

The nominees for election as directors and incumbent directors are as follows:

**Nominees for Election Terms Expiring in 2011**

**Paul Danos, Ph.D.**, 65, has been a director of BJ's since May 2004. Dr. Danos is the Dean of the Tuck School of Business at Dartmouth College, a position he has held since 1995. A CPA since 1974, Dr. Danos specializes in financial accounting as part of his position as the Laurence F. Whittemore Professor of Business Administration at the Tuck School of Business. Dr. Danos is also a member of the General Mills, Inc. Board of Directors and is on its Audit Committee. Dr. Danos is a member of BJ's Audit Committee and Corporate Governance Committee.

**Laura Sen**, 51, has been a director of BJ's since January 2008 and has served as BJ's President and Chief Operating Officer since January 2008. Ms. Sen served as BJ's Executive Vice President of Merchandising and Logistics from January 2007 to her promotion in January 2008, and held the same position from 1997 to March 2003. From March 2003 to December 2006, Ms. Sen was the Principal of Sen Retail Consulting, advising

Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

companies in the retail sector in the areas of merchandising and logistics. In total, Ms. Sen has 30 years experience in mass retailing.

**Michael J. Sheehan**, 47, has been a director of BJs since March 2008 and currently serves in the class whose term is scheduled to expire in 2009. Mr. Sheehan has been Chief Executive Officer of Hill, Holliday,

Connors, Cosmopulos Inc., a marketing communications agency, since April 2003 and served as President of Hill Holliday from July 2000 to January 2007. He was employed by Hill Holliday from 1994 through 1999 in various creative director positions.

#### **Incumbent Directors Terms Expiring in 2010**

**S. James Coppersmith**, 75, has been a director of BJ's since July 1997. He was a director of Waban Inc., BJ's former parent company, from December 1993 to July 1997. Mr. Coppersmith is the retired president of ABC affiliate WCVB-TV Channel 5 in Boston, and is a director and Vice Chairman of the Board of Directors of Rasky Baerlein Group, a public relations firm. Mr. Coppersmith is Chair of BJ's Executive Compensation Committee and a member of the Audit Committee.

**Thomas J. Shields**, 61, has been a director of BJ's since July 1997 and presiding director since 2005. He was a director of Waban Inc. from June 1992 to July 1997. He has served as Managing Director of Shields & Company, Inc., a Boston-based investment banking firm, since 1991. Mr. Shields is also a director of Clean Harbors, Inc. Mr. Shields is Chair of BJ's Audit Committee and a member of BJ's Executive Committee, Finance Committee and Corporate Governance Committee.

**Herbert J Zarkin**, 69, has been a director of BJ's since November 1996, Chairman of the Board of Directors of the Company since July 1997 and has served as BJ's Chief Executive Officer since February 2007. From February 2007 to January 2008, Mr. Zarkin also served as President of BJ's, and from November 2006 to February 2007, Mr. Zarkin was Interim Chief Executive Officer. From July 1997 to June 2002, Mr. Zarkin was Chairman of House2Home, Inc., the surviving company of a merger in September 2001 with HomeBase, Inc., formerly known as Waban Inc., and was President and Chief Executive Officer of House2Home from March 2000 to September 2001. He was a director, President and Chief Executive Officer of Waban from May 1993 to July 1997. Mr. Zarkin is Chair of BJ's Executive Committee and a member of the Finance Committee.

#### **Incumbent Directors Terms Expiring in 2009**

**Edmond J. English**, 54, has been a director of BJ's since September 2006. Mr. English has been Chief Executive Officer of Bob's Discount Furniture since December 2006. Prior to joining Bob's, Mr. English was Chief Executive Officer from 2000 and President from 1999 of The TJX Companies, Inc., an off-price apparel and home furnishings retailer, until September 2005. He had been employed by TJX in a variety of executive positions since 1983. Mr. English is a director of Citizens Financial Group. Mr. English is a member of the BJ's Audit Committee and Executive Compensation Committee.

**Helen Frame Peters, Ph.D.**, 60, has been a director of BJ's since May 2004. Dr. Peters currently is a professor of finance at Boston College. From August 2000 to May 2003, she served as Dean of the Carroll School of Management at Boston College. Prior to joining Boston College, from 1998 to 1999, Dr. Peters was Chief Investment Officer of the Global Bond Group of Scudder Kemper Investments in Boston, Massachusetts. Dr. Peters is a Trustee of StreetTracks Funds for State Street Global Advisors. Dr. Peters is Chair of BJ's Finance Committee.

### **CORPORATE GOVERNANCE**

BJ's Board of Directors believes that good corporate governance practices are important to ensure that BJ's is managed for the long-term benefit of its shareholders. The Board of Directors recognizes that maintaining and ensuring good corporate governance is a continuous process and that

Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

the long-term interests of shareholders are advanced by responsibly considering the concerns of other stakeholders and interested parties, including employees/team members, members/customers, suppliers, the communities in which BJS does business, and the

public at large. This section describes key corporate governance principles and practices adopted by BJs. Complete copies of the corporate governance principles; charters of the Audit, Corporate Governance and Executive Compensation Committees; and the Statement on Commercial Bribery, Conflicts of Interest and Business Ethics described below are available on the Corporate Governance section of our website, [www.bjs.com](http://www.bjs.com). You can also request a copy of any of these documents by writing to the Corporate Secretary, BJs Wholesale Club, Inc., One Mercer Road, Natick, Massachusetts 01760.

### **Corporate Governance Principles**

The Board has adopted corporate governance principles to assist the Board in the exercise of its duties and responsibilities and to serve the best interests of BJs and its shareholders. These principles, which, along with the charters and key practices of the Board's committees, provide a framework for the governance of BJs, include that:

the role of the Board is to oversee the management and governance of the Company;

a majority of the members of the Board shall be independent directors;

the non-management directors meet at least twice annually in executive session;

directors have complete access to management and may, at any time, hire independent advisors;

new directors participate in an orientation program and all directors are expected to participate in continuing director education on an ongoing basis; and

at least annually the Board and its committees will conduct a self-evaluation to determine whether they are functioning effectively.

### **Board Determination of Independence**

Under applicable New York Stock Exchange (NYSE) rules, a director of BJs will only qualify as independent if the Board of Directors affirmatively determines that he or she has no material relationship with BJs (either directly or as a partner, shareholder or officer of an organization that has a relationship with BJs). The Board of Directors has established guidelines to assist it in determining whether a director has a material relationship with BJs. Under these guidelines, a director will be considered to have a material relationship with BJs if he or she is not independent under Section 303A.02(b) of the NYSE Listed Company Manual or he or she:

is an executive officer of another company which is indebted to BJs, or to which BJs is indebted, unless the total amount of either company's indebtedness to the other is less than 1% of the total consolidated assets of the company for which he or she serves as an executive officer; or

serves as an officer, director or trustee of a tax exempt organization and BJs discretionary charitable contributions to such organization are more than the greater of \$1 million or 2% of that organization's consolidated gross revenues.

## Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

Ownership of a significant amount of BJS stock, by itself, does not constitute a material relationship.

For relationships not covered by the guidelines set forth above, the determination of whether a material relationship exists is made by the other members of the Board of Directors who are independent.

The Board of Directors has determined that none of Messrs. Coppersmith, English, Sheehan, Shields or Waxlax or Drs. Danos or Peters has a material relationship with BJS and that each of these directors is independent as determined under Section 303A.02 of the NYSE Listed Company Manual. Our Board reached a similar determination with respect to Ronald R. Dion, who served as a director until his death on November 30, 2007. No transactions, relationships or arrangements, other than those disclosed in the Certain Transactions



section of this proxy statement (see page 13), were considered by the Board in making its determination of director independence.

The Board of Directors has determined that all of the members of each of the Board's Audit, Corporate Governance and Executive Compensation Committees are independent as defined under the rules of the NYSE, including, in the case of all members of the Audit Committee, the independence requirements contemplated by Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act).

### **The Board of Directors and its Committees**

The Board of Directors has established five standing committees of the Board: Audit, Corporate Governance, Executive, Executive Compensation and Finance, each of which operates under a charter that has been approved by the Board.

**Audit Committee.** The Audit Committee's responsibilities include:

appointing, approving the compensation of, and assessing the qualifications and independence of the Company's independent registered public accounting firm;

overseeing the work of the Company's independent registered public accounting firm, including through the receipt and consideration of reports from the independent registered public accounting firm;

reviewing and discussing with management and the independent registered public accounting firm the Company's annual and quarterly financial statements and related disclosures;

monitoring the Company's internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;

overseeing the Company's internal audit function;

discussing the Company's fraud, risk assessment and risk management policies;

establishing policies regarding hiring employees from the independent registered public accounting firm and procedures for the receipt and retention of accounting related complaints and concerns;

meeting independently with the Company's internal auditing staff, independent registered public accounting firm and management;

reviewing and approving or ratifying any related person transactions; and

preparing the audit committee report required by SEC rules (which is included on page 50 of this proxy statement).

## Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

The current members of the Audit Committee are Thomas J. Shields (Chair), S. James Coppersmith, Paul Danos and Edmond J. English. The Audit Committee held 11 meetings during 2007.

The Board of Directors has determined that each of Paul Danos, Edmond J. English and Thomas J. Shields is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K.

**Corporate Governance Committee.** The Corporate Governance Committee's responsibilities include:

identifying individuals qualified to become Board members;

recommending to the Board the persons to be nominated for election as directors;

reviewing the new director orientation program;

reviewing and recommending changes to director compensation;

monitoring the Company's social responsibility programs and corporate citizenship;

developing and recommending to the Board corporate governance principles and monitoring compliance with such principles; and

overseeing an annual evaluation of the Board, including a review of committee structure and committee charters.

The current members of the Corporate Governance Committee are Lorne R. Waxlax (Chair), Paul Danos and Thomas J. Shields. The Corporate Governance Committee held 6 meetings during 2007.

The processes and procedures followed by the Corporate Governance Committee in identifying and evaluating director candidates are described below (see page 8) under the heading Director Candidates.

**Executive Compensation Committee.** The Executive Compensation Committee's responsibilities include:

annually reviewing and approving corporate goals and objectives relevant to the CEO's compensation;

overseeing an evaluation of the Company's CEO;

determining the CEO's compensation;

reviewing and approving the compensation of the Company's other executive officers and certain other executives;

reviewing and making recommendations to the Board with respect to compensation and benefits policies and changes in those policies;

reviewing and making recommendations to the Board with respect to management succession planning;

overseeing and administering the Company's cash and equity incentive plans;

reviewing and discussing annually with management our Compensation Discussion and Analysis, which is included beginning on page 17 of this proxy statement; and

preparing the executive compensation committee report required by SEC rules, which is included on page 33 of this proxy statement.

The processes and procedures followed by our Executive Compensation Committee in considering and determining executive compensation, including the use of consultants and other outside advisors, are described in Compensation Discussion and Analysis beginning on page 17 below.

## Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

The current members of the Executive Compensation Committee are S. James Coppersmith (Chair), Edmond J. English and Lorne R. Waxlax. The Executive Compensation Committee held 12 meetings in 2007.

### **Other Committees**

The Board of Directors also has an Executive Committee which has authority to act for the Board on most matters during intervals between meetings of the Board. The current members of the Executive Committee are Herbert J Zarkin (Chair), Thomas J. Shields and Lorne R. Waxlax. The Executive Committee did not meet during 2007.

The Board of Directors has a Finance Committee which reviews with management and advises the Board with respect to the Company's finances, including exploring methods of meeting the Company's financing requirements and planning the Company's capital structure. The current members of the Finance Committee are Helen Frame Peters (Chair), Thomas J. Shields, Lorne R. Waxlax and Herbert J Zarkin. The Finance Committee held 4 meetings during 2007.

## **Board and Shareholder Meetings and Attendance**

The Board of Directors held 10 meetings during 2007, including 4 telephone meetings, and took action by written consent 2 times. Each director attended at least 75% of the aggregate of the number of Board meetings and the number of meetings held by all committees on which he or she then served.

Our corporate governance principles provide that directors are expected to attend the annual meeting of shareholders. All directors at the time attended the 2007 Annual Meeting of Shareholders.

## **Director Candidates**

The process followed by the Corporate Governance Committee to identify and evaluate director candidates includes making requests to Board members and others for recommendations, retaining executive search firms to identify qualified candidates, meeting as needed to evaluate biographical information and background material relating to potential candidates and interviewing selected candidates.

In considering whether to recommend any particular candidate for inclusion in the Board's slate of recommended director nominees, the Corporate Governance Committee applies the criteria set forth in BJS's corporate governance principles. Under these criteria, a candidate should have substantial, relevant experience; a willingness to devote sufficient time to carrying out his or her duties and responsibilities effectively; and high personal and professional ethics, integrity and values. The Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of its directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

Ms. Sen, who was elected to the Board effective January 15, 2008, was recommended to the Corporate Governance Committee for nomination to the Board by Mr. Zarkin in connection with her promotion to President and Chief Operating Officer.

Mr. Sheehan, who was elected to the Board effective March 27, 2008, was recommended to the Corporate Governance Committee for nomination to the Board by Messrs. Shields and Zarkin.

During fiscal 2007, we retained the services of a third-party search firm to help identify and evaluate potential director candidates, although neither Ms. Sen nor Mr. Sheehan were identified through such search firm.

Shareholders may recommend individuals to the Corporate Governance Committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials, and a statement as to whether the shareholder or group of shareholders making the recommendation has beneficially owned more than 5% of the Company's common stock for at least a year as of the date such recommendation is made, to the Corporate Governance Committee, c/o General Counsel, BJS Wholesale Club, Inc., One Mercer Road, Natick, Massachusetts 01760. Assuming that appropriate biographical and background material has been provided on a timely basis, the Committee will evaluate shareholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others. If the Board determines to nominate a shareholder-recommended candidate and recommends his or her election, then his or her name will be included in the proxy for the next annual meeting of shareholders.

Shareholders also have the right under our by-laws to directly nominate director candidates, without any action or recommendation on the part of the Corporate Governance Committee or the Board, by following the procedures set forth under Shareholder Proposals on page 52. Candidates nominated by shareholders in accordance with the procedures set forth in the Company's by-laws will not be included in the proxy solicited by the Board for the next annual meeting of shareholders.

### Policy Regarding Holdover Directors

As a condition to being nominated by the Board for re-election as director, the Company's corporate governance principles require each incumbent nominee to deliver to the Company an irrevocable resignation that will become effective if: (1) in the case of an uncontested election (as defined in the principles) such nominee does not receive a greater number of votes for his or her election, than votes against (with abstentions, broker non-votes and withheld votes not counted as a vote for or against such nominee's election) and (2) the Board, in accordance with the procedures summarized below, determines to accept such resignation.

In the case of an uncontested election, if a nominee who is an incumbent director, does not receive the required vote, the Corporate Governance Committee, or in specified situations another committee consisting of independent directors, will evaluate the best interests of BJS and its shareholders and recommend to the Board the action to be taken with respect to such resignation. In reaching its recommendation, the committee will consider all factors it deems relevant, which may include:

any stated reasons why shareholders voted against such director;

any alternatives for curing the underlying cause of the votes against such director;

the total number of shares voting and the number of broker non-votes;

the director's tenure;

the director's qualifications;

the director's past and expected future contributions to BJS; and

the overall composition of the Board, including whether accepting the resignation would cause the Company to fail to meet any applicable SEC or NYSE requirements.

The Board will act on the committee's recommendation, and in doing so, will consider all of the factors considered by the committee and such additional factors as it deems relevant. The committee and Board actions will be completed within 90 days following certification of the shareholder vote.

An incumbent director who fails to receive the required vote in an uncontested election and who has tendered his or her resignation pursuant to this provision shall remain active and engaged in Board activities while the committee and the Board decide whether to accept or reject his or her resignation. However, it is expected that such incumbent director will not participate in any proceedings by the committee or the Board regarding whether to accept or reject his or her resignation.

Following the Board's determination, the Company will promptly publicly disclose the Board's decision of whether or not to accept the resignation and an explanation of how the decision was reached, including, if applicable, the reasons for rejecting the resignation.

If the Board accepts a nominee's resignation then the Board may fill the resulting vacancy or decrease the size of the Board.

**Communicating with the Independent Directors**

The Board will give appropriate attention to written communications that are submitted by shareholders and other interested parties, and will respond if and as appropriate. All shareholder communications will be reviewed by the Company's General Counsel and if they are relevant to the Company's operations, policies and philosophies, they will be forwarded to the Chair of the Corporate Governance Committee. The Chair of the Corporate Governance Committee, with the assistance of our General Counsel, is primarily responsible for monitoring communications from shareholders and other interested parties and for providing copies or summaries to the other directors as he considers appropriate. Mr. Shields serves as the presiding director at all executive sessions of our non-management directors.



Under procedures approved by a majority of the independent directors, communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the Chair of the Corporate Governance Committee considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters which are the subject of repetitive communications.

Shareholders who wish to send communications on any topic to the Board should address such communications to the Board of Directors, c/o General Counsel, BJS Wholesale Club, Inc., One Mercer Road, Natick, Massachusetts 01760.

### **Compensation of Directors**

Directors who are employees of BJS receive no additional compensation for their services as directors. Non-employee directors are paid an annual retainer of \$40,000 and fees of \$2,500 for each Board meeting attended, \$1,000 for each Committee meeting attended and \$1,000 for certain telephone meetings. In addition, the Chair of the Audit Committee and the Chair of the Executive Compensation Committee each are paid \$10,000 per annum for their services. The Chair of the Corporate Governance Committee, the Chair of the Finance Committee and the presiding director are each paid \$5,000 per annum for their services. Other members of the Audit Committee, the Corporate Governance Committee, the Executive Compensation Committee and the Finance Committee each are paid \$2,500 per annum for their services on each committee. All directors are reimbursed for their expenses related to attendance at meetings. BJS management and the Corporate Governance Committee periodically review the compensation of directors and recommend changes to the full Board of Directors.

BJS 2007 Stock Incentive Plan provides for the automatic grant of options to members of the Board of Directors who are not BJS employees. On the commencement of service on the Board, each non-employee director receives a non-statutory stock option to purchase 10,000 shares, subject to adjustment for changes in capitalization. In addition, on the date of each annual meeting of shareholders, each non-employee director who is both serving as a director immediately before and immediately after such meeting receives a non-statutory stock option to purchase 5,000 shares of common stock, subject to adjustment for changes in capitalization. However, a non-employee director will not receive an annual option grant unless he or she has served on the Board for at least six months. Options automatically granted to non-employee directors vest on a cumulative basis as to one-third of the shares on the first day of the month of each of the first three anniversaries of the date of grant provided the person is still serving on the Board and expire on the earlier of 10 years from the date of the grant or one year following cessation of service on the Board. However, no additional vesting will take place after the non-employee director ceases to serve as a director. The Board may provide for accelerated vesting in the case of death, disability, attainment of mandatory retirement age or retirement following at least 10 years of service on the Board. The Board can increase or decrease the number of shares subject to options granted to non-employee directors and can issue stock appreciation rights, restricted stock, restricted stock units or other stock-based awards in lieu of some or all of the options otherwise issuable, in each case subject to the overall limit on the number of shares issuable to non-employee directors that is contained in the 2007 Stock Incentive Plan.

In lieu of an annual stock option grant for 2007, 2008 and 2009, on May 24, 2007, the date of the 2007 Annual Meeting of Shareholders, each non-employee director received a grant of 6,600 shares of restricted stock. The grant date value of each share was \$37.16, which was equal to the closing price of our common stock on the date of the grant. One third of such shares will vest on each of the first three anniversaries of the date of grant (or, if earlier in any year, on the date of the Company's annual meeting of shareholders for such year) provided the person is still serving on the Board. The restricted stock will become fully vested upon a change of control (as defined in the 2007 Stock Incentive Plan).

**DIRECTOR COMPENSATION TABLE**

Name	Fees Earned or Paid in Cash (\$)	Option Awards \$(1)	Stock Awards \$(2)	Total (\$)
S. James Coppersmith	\$ 90,071	\$ 44,654	\$ 57,041	\$ 191,766
Paul Danos	82,000	48,809	57,041	187,850(3)
Ronald R. Dion(4)	73,272	28,705	179,058	281,035
Edmond J. English	81,500	42,597	57,041	181,138
Helen Frame Peters	69,530	48,809	57,041	175,380
Thomas J. Shields	97,754	44,654	57,041	199,449
Lorne R. Waxlax	88,251	44,654	57,041	189,946

- (1) No stock options were granted to non-employee directors during fiscal 2007. The value reflected in this column is the dollar amount for financial statement reporting purposes for fiscal year 2007 in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), Share-based Payment ( FAS 123R ), and thus includes amounts from stock options granted prior to 2007. This amount does not reflect any estimate of forfeitures related to service-based vesting. Instead, it assumes that the director will perform the requisite service to vest in the stock options. The assumptions used in valuing the stock options we granted during 2005-2007 are described under the caption Stock Incentive Plans in note I to our consolidated financial statements that are contained in our Annual Report on Form 10-K for the fiscal year ended February 2, 2008. For information on the valuation assumptions with respect to stock options granted in years prior to 2005, please refer to note H to our financial statements that are contained in our Annual Report on Form 10-K for the fiscal year ended January 29, 2005.
- (2) The grant date fair value of the restricted stock awarded to each non-employee director on May 24, 2007, the date of the 2007 Annual Meeting of Shareholders, computed in accordance with FAS 123R, was \$245,256. The value reflected in this column is the dollar amount for financial statement reporting purposes for fiscal 2007 in accordance with FAS 123R. None of the directors had received BJ's restricted stock prior to the grant on May 24, 2007. This amount also does not reflect any estimate of forfeitures related to service-based vesting. Instead, it assumes that the director will perform the requisite service to vest in the restricted stock award. As of February 2, 2008, each non-employee director had the following aggregate number of stock options outstanding: S. James Coppersmith, 35,500; Paul Danos, 20,000; Ronald R. Dion, 35,000 (see footnote 4); Edmond J. English, 10,000; Helen Frame Peters, 20,000; Thomas J. Shields, 35,500; and Lorne R. Waxlax, 30,000. As of February 2, 2008, Mr. Coppersmith, Dr. Danos, Mr. English, Dr. Peters, Mr. Shields and Mr. Waxlax each had 6,600 restricted shares outstanding.
- (3) Dr. Danos deferred the receipt of all of the fees he earned as a director in fiscal 2007 under our General Deferred Compensation Plan and has also deferred his restricted stock award. See page 37 for a description of this plan.
- (4) Mr. Dion served on the Board until November 30, 2007, the date of his death. On January 14, 2008, the Board voted to approve the acceleration of Mr. Dion's unvested stock options and restricted stock. The value of option awards and stock awards presented in the table above for Mr. Dion reflects the fair value of the acceleration for his awards as of November 30, 2007 in accordance with FAS 123R. Mr. Dion's outstanding stock options will remain exercisable by his estate for a period up to November 30, 2008.

**Policies on Business Ethics and Conduct**

All of BJ's salaried employees, including its Chief Executive Officer and Chief Financial Officer, as well as the directors, are required to abide by the Company's long-standing Statement on Commercial Bribery, Conflicts of Interest and Business Ethics ( Code of Conduct ), which is intended to help ensure that BJ's business is conducted in a consistently legal and ethical manner. The Company's policies and procedures cover areas of professional conduct, including relations with vendors, conflicts of interest, financial integrity and the protection of corporate assets, as well as adherence to all laws and regulations applicable to the conduct of the Company's business.

Employees and directors are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Conduct. In addition, as contemplated by the Sarbanes-Oxley Act of 2002, the Company's Audit Committee has established procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

The full text of the Company's Code of Conduct is posted on the Corporate Governance section of our website, at [www.bjs.com](http://www.bjs.com). The Company will post on its website all disclosures that are required by law or NYSE listing standards concerning any amendments to, or waivers from, any provision of the Code of Conduct.

#### **Policies and Procedures for Related Person Transactions**

Our Board has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which the Company is a participant and one of our executive officers, directors, director nominees or 5% shareholders (or their immediate family members), each of whom we refer to as a related person, has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a related person transaction, the related person must report the proposed related person transaction to our General Counsel. The policy provides that irrespective of the amount involved, any relationship between the Company and any of its suppliers in which a related person has a direct or indirect material interest shall be reviewed by the Audit Committee at its inception (or such later time as the Company first becomes aware of the related person's interest) and, thereafter, annually. Transactions above a certain amount must be approved by the Audit Committee. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the Audit Committee will review, and, in its discretion, may ratify the related person transaction. The policy also permits the Chair of the Audit Committee to review and, if deemed appropriate, approve proposed related person transactions that arise between Audit Committee meetings, subject to ratification by the Audit Committee at its next meeting.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the Audit Committee after full disclosure of the related person's interest in the transaction. As appropriate for the circumstances, the Audit Committee will review and consider:

the related person's interest in the related person transaction;

the approximate dollar value of the amount involved in the related person transaction;

the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;

whether the transaction was undertaken in the ordinary course of business;

whether the terms of the transaction are no less favorable than terms that could have been reached with an unrelated third party;

Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

the purpose of, and the potential benefits to BJs of, the transaction; and

any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The Audit Committee may approve or ratify the transaction only if it determines that, under all of the circumstances, the transaction is in BJs best interests. The Audit Committee may impose any conditions on the related person transaction that it deems appropriate.

In addition to the transactions that are excluded by the instructions to the SECs related person transaction disclosure rule, the Board has determined that the following transactions do not create a material direct or

indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy: interests arising solely from the related person's position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, (c) the amount involved in the transaction equals less than the greater of \$1 million or 2% of the annual consolidated gross revenues of the other entity that is a party to the transaction, and (d) the amount involved in the transaction equals less than 2% of the Company's annual consolidated gross revenues.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the Executive Compensation Committee in the manner specified in its charter.

### **Certain Transactions**

During fiscal 2007, Gerald and Norman Zarkin, brothers of Herbert J Zarkin, BJS's Chairman of the Board and Chief Executive Officer, and Lewis Bell, a brother-in-law of Herbert J Zarkin, had an interest in the following business transactions involving BJS.

BJS purchases merchandise from Tee's Plus Corporation (Tee's Plus), a division of Edh, Inc., where Gerald Zarkin is an employee and manages BJS's business with Tee's Plus. Such purchases totaled approximately \$195,000 during fiscal 2007. In addition, BJS has an arrangement with Tee's Plus for the sale of embroidered apparel and BJS receives a percentage of the sales made by Tee's Plus to BJS's members. The total amount of sales by Tee's Plus to BJS's members was approximately \$304,000 in fiscal 2007, of which BJS received approximately \$30,000 pursuant to this arrangement. Gerald Zarkin earned approximately \$71,000 in fiscal 2007 in salary and commissions from Tee's Plus with respect to these purchases by BJS, including salary of \$66,000 in fiscal 2007 as Vice President Sales of Tee's Plus. In addition, BJS has a consignment arrangement with Universal Supply MC, LLC (Universal), which operates as a division of Edh, Inc., for the sale of specialty caps, college sweatshirts, towels and blankets and also purchases certain merchandise from Universal. BJS provides space in its clubs for the display of Universal's inventory and BJS receives a percentage of the sales made by Universal to BJS's members. The total amount of consignment sales was approximately \$5.0 million in fiscal 2007, of which BJS received approximately \$806,000 from Universal. Gerald Zarkin received approximately \$98,000 in fiscal 2007 in commissions related to the Universal transactions.

Norman Zarkin is the sole shareholder of The Zarkin Group, Inc. In fiscal 2007, The Zarkin Group, Inc. received approximately \$38,750 in commissions for service as a broker in connection with sales made to BJS by Arlee Home Fashions, Barricini Candy, Cutie Pie Baby, Inc., Handi Foil, Inc., and Suntyme Products, each of which is a vendor of BJS. In the aggregate, BJS purchased approximately \$1,056,000 of merchandise from these vendors.

BJS purchases merchandise from Rani Foods, which pays commissions to nLots, a sole proprietorship of Mr. Bell. BJS also purchases merchandise from Asian Kitchen, a limited liability company of which Mr. Bell is a partner. In fiscal 2007, Mr. Bell received approximately \$18,000 in commissions for service as a broker for sales made to BJS by Rani Foods and Asian Kitchen. In the aggregate, in fiscal 2007 BJS purchased approximately \$261,000 of merchandise from these vendors.

BJS believes that each of the transactions described above was carried out on terms that were no less favorable to the Company than those that would have been obtained from unaffiliated third parties. Each of the above transactions were reviewed, and as necessary approved, under our related party transaction policy.

Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

During fiscal 2007, BJS had an agreement with Fidelity Management Trust Company ( FMTTC ) to provide 401(k) plan administration. FMTTC also serves as trustee with respect to the assets of the Company's 401(k)

plans. BJs paid fees for these services totaling approximately \$149,000 in fiscal 2007. Additionally, fees are paid by plan participants in the form of investment management services fees generated on various transactions including loan setup and related fees. FMTC is a subsidiary of FMR Corp., which previously held more than 5% of our stock. This transaction was not reviewed by the Audit Committee prior to the date on which FMR became less than a 5% shareholder of our stock.

**BENEFICIAL OWNERSHIP OF COMMON STOCK**

The following table sets forth information regarding the beneficial ownership of our common stock as of April 5, 2008 (unless otherwise indicated) by (i) each person known to the Company to beneficially own more than 5% of the outstanding shares of our common stock, (ii) each director of the Company, (iii) each executive officer of the Company named in the Summary Compensation Table on page 34, and (iv) all of the Company's current directors and executive officers as a group. Unless otherwise indicated, the address of each person listed in the table is c/o BJS Wholesale Club, Inc., One Mercer Road, Natick, Massachusetts 01760.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class(1)
Wellington Management Company, LLP. 75 State Street Boston, Massachusetts 02109	8,970,828(2)	15.0%
Barclays Global Investors, NA. 45 Fremont Street San Francisco, California 94105	6,582,615(3)	11.0
BlackRock, Inc. 40 East 52 <sup>nd</sup> Street New York, New York 10022	4,181,965(4)	6.5
S. James Coppersmith	25,940	*
Paul Danos	24,940	*
Edmond J. English	9,934	*
Helen Frame Peters	24,940	*
Michael J. Sheehan	0	*
Thomas J. Shields	41,340	*
Lorne R. Waxlax	73,840(5)	*
Herbert J Zarkin	1,030,344	1.7
Frank D. Forward	269,030	*
Laura J. Sen	75,000	*
Thomas F. Gallagher	73,500	*
Lon F. Povich	41,000	*
All directors and executive officers as a group (14 persons)	1,784,438	2.9

\* Less than 1%.

- (1) Includes, for the persons indicated, the following shares of common stock that may be acquired upon exercise of outstanding stock options which were exercisable on April 5, 2008, or within 60 days thereafter: Mr. Coppersmith, 18,340 shares; Dr. Danos, 18,340 shares; Mr. English, 3,334 shares; Dr. Peters, 18,340 shares; Mr. Shields, 33,840 shares; Mr. Waxlax, 28,340 shares; Mr. Zarkin, 750,000 shares; Ms. Sen, 25,000 shares; Mr. Forward 203,334 shares; Mr. Gallagher, 28,500 shares; Mr. Povich, 12,500 shares; all current directors and executive officers as a group, 1,198,618 shares.
- (2) Information is as of December 31, 2007, and is based on a Schedule 13G (Amendment No. 1) filed with the SEC on February 14, 2008, by Wellington Management Company, LLP. ( Wellington ). Wellington reported that it has shared voting power over 7,845,230 of these shares and shared dispositive power over 8,942,528 of these shares.
- (3)



Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

Information is as of December 31, 2007, and is based on a Schedule 13G filed with the SEC on February 5, 2008 by Barclays Global Investors, NA ( BGI ) and its affiliates Barclays Global Fund Advisors ( BGFA ), Barclays Global Investors, Ltd. ( Barclays Ltd. ), Barclays Global Investors Japan Trust and Banking Company Limited, Barclays Global Investors Japan Limited ( Barclays Japan Ltd. ), Barclays Global Investors Canada Limited ( Barclays Canada Ltd. ), Barclays Global Investors Australia Limited

and Barclays Global Investors (Deutschland) AG. BGI reported that it has sole voting power over 5,575,734 of these shares and sole dispositive power over all of these shares. BGFA reported that it has sole voting and sole dispositive power over 959,708 of these shares, Barclays Ltd. reported that it has sole voting power over 479,760 of these shares and sole dispositive power over 639,830 of these shares, Barclays Japan Ltd. reported that it has sole voting and sole dispositive power over 219,709 of these shares and Barclays Canada Ltd. reported that it has sole voting and sole dispositive power over 74,842 of these shares.

- (4) Information is as of December 31, 2007 and is based on a Schedule 13G filed with the SEC on February 8, 2008 by BlackRock, Inc. ( BlackRock ). BlackRock reported that it has shared voting and dispositive power over all of these reported shares. These shares are held by BlackRock Advisors LLC, BlackRock Capital Management, Inc., BlackRock Financial Management, Inc. and BlackRock Investment Management, LLC, each an investment advisor and a subsidiary of BlackRock.
- (5) Includes 36,000 shares held in trust for the benefit of Mr. Waxlax and 400 shares held in an individual account for Mr. Waxlax's daughter and for which Mr. Waxlax acts as custodian.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

In this section, we provide an overview and analysis of BJ's executive compensation program. Our discussion is divided into four sections: an Executive Summary, a description of BJ's Compensation Program, an analysis of the Compensation Actions Related to 2007, and Closing Comments.

#### I. Executive Summary

Following disappointing financial performance in 2006, BJ's priority for 2007 was to refocus on our core business. A key strategic imperative for our Board of Directors and the Executive Compensation Committee (the ECC) was hiring, incenting and retaining a management team experienced in the wholesale club business model, to lead a turnaround and to position BJ's for the future. Employing our longstanding mix of compensation elements, our compensation program for 2007 was designed to support this strategic imperative.

BJ's executive compensation program is based on a pay for performance philosophy. As such, realized pay levels are designed to align compensation with the performance of BJ's and the creation of shareholder value, while remaining within a targeted range of compensation of a group of peer companies. In designing BJ's compensation program we seek to:

Hire and retain executive officers critical to the long-term strategy and success of BJ's;

Integrate compensation with the achievement of BJ's annual and long-term performance goals; and

Link management's and shareholders' long-term interests.

Management (through the Chairman and CEO, Herbert J Zarkin) provides the ECC annually with recommendations as to the appropriate compensation for our executive officers. Those recommendations are the result of a process involving Mr. Zarkin, BJ's Director of Human Resources, and management's compensation consultant, Watson Wyatt, and are designed to create market-based packages which attract the executive talent necessary to advance BJ's strategy. The ECC reviews those recommendations with the assistance of its independent compensation consultant, Towers Perrin. The ECC's focus is on ensuring appropriate remuneration that is competitive as judged against market benchmarks, with a specific goal of providing our named executive officers, which we refer to as our NEOs, with compensation packages between the 50<sup>th</sup> and 75<sup>th</sup> percentile of the peer group.

As in the past, our 2007 compensation program consisted of the following three guaranteed elements and two incentive elements:

#### *Guaranteed Elements*

1. Base Salary;
2. Retirement Benefits (a 401(k) plan and an Executive Retirement Plan); and
3. Additional Benefits and Perquisites (auto allowance, physical exam, tax preparation and financial consulting, estate planning, deferred compensation, group insurance plans and corporate jet expenses for the Chairman and CEO).

***Incentive Elements***

1. Annual Cash Incentives (paid under our Management Incentive Plan, which we refer to as the MIP, and which establishes a cash payout on the basis of the achievement of performance goals); and

2. Long Term Incentives (paid under (i) our Growth Incentive Plan, which we refer to as the GIP, and which establishes a cash payout on the basis of the achievement of three-year cumulative financial performance goal; and (ii) our Stock Incentive Plan, which provides for grants of equity awards, including options and restricted shares).

Cash payments under the MIP and the GIP are tied directly to the performance of BJs. While the size of the potential awards under those programs differs among the NEOs, reflecting both the scope of responsibility of the position and market norms, there are no individual performance criteria under these plans. The differences among award payouts is a function of the target awards established by the ECC at the beginning of each annual or three-year plan cycle. With respect to equity awards, while the number of options or shares granted differs among the NEOs based on their position and market norms, the ultimate value of those awards is tied directly to the performance of BJs stock.

In 2007, the ECC approved One-Time Grants of long-term incentives (the One-Time Grants) to secure the services of a newly hired, newly promoted, and re-hired management team selected to lead our turnaround. The ECC approved these grants, which were individually negotiated with each of the NEOs, in order to provide material incentives to the NEOs, while at the same time tying the value of the grants to the long-term performance of BJs shares.

The ECC believes that by using the available compensation elements, and the process and benchmarks outlined above and explained in more detail below, the Board has put in place an appropriately compensated executive team, well-positioned to continue to manage BJs through its turnaround and into the future.

## **II. BJs Compensation Program**

This section reviews:

- A. The Parties involved in the design of our Compensation Program;
- B. The Elements of that Program;
- C. The Relationship among the Program Elements;
- D. The Competitive Frames of Reference (benchmarks) that we have reviewed in designing our Compensation Program; and
- E. The Tax Considerations affecting our Compensation Program.

### **A. The Parties**

During fiscal 2007, three parties: the ECC, BJs management, and the outside consultants for the ECC and management, contributed to the design of our executive compensation program. The role of each of these three parties is discussed in this section:

*1. BJS Executive Compensation Committee*

The ECC meets regularly to address compensation matters throughout the year. Mr. Zarkin, BJS Chairman and CEO, regularly attends the ECC meetings to present compensation proposals and to provide input to the ECC in their deliberations. The ECC meets in executive session, without management present, when reaching final decisions on executive compensation. A more detailed description of the responsibilities of the ECC is set forth under the caption "The Board of Directors and its Committees - Executive Compensation Committee" on page 7.

*2. BJS Management*

On an annual basis, BJS Director of Human Resources commissions a competitive analysis by management's compensation consultant, Watson Wyatt, as described in more detail on page 25. The Director of Human Resources makes recommendations to BJS Chairman and CEO based on the report findings and other factors such as performance, tenure, and equity among the NEOs. The Chairman and CEO in turn makes recommendations to the ECC on specific salary increases for the NEOs (other than himself).

From time to time, the Chairman and CEO recommends to the ECC modifications to BJS short- and long-term incentive compensation programs, including recommendations relating to equity-based compensation programs for the NEOs to achieve better alignment with BJS peer group.

*3. Outside Compensation Consultants Watson Wyatt and Towers Perrin*

Watson Wyatt serves as the consultant to management. In this capacity, they:

Provide management with comparable market data to assess the competitiveness of BJS compensation program;

Apprise management on regulatory changes that may have an impact on design and/or administration of plans; and

Review management's recommendations regarding program design in the context of market practice and regulatory compliance.

The ECC retains the services of Towers Perrin as the compensation consultant to the ECC. In this capacity, they:

Assist in the compilation and interpretation of marketplace CEO and director compensation information;

Provide input to the ECC on peer group selection for compensation benchmarking purposes;

Counsel the ECC on competitive market practices with respect to senior management plan design and market trends; and

Perform analyses on an as needed basis on compensation proposals submitted by BJS CEO to the ECC or other related projects initiated by the ECC, including, for example in 2007, an analysis of share utilization under our Stock Incentive Plan.

**B. Compensation Elements**

With the exception of the Chairman and CEO, our NEOs are eligible to receive: a base salary; annual cash incentives under the MIP; long-term cash incentives under the GIP; long-term equity incentives, including both options and restricted shares, under our 2007 Stock Incentive Plan;

## Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

retirement benefits (both a 401(k) plan and an Executive Retirement Plan); additional benefits and perquisites (auto allowance, physical exam, tax preparation and financial consulting, estate planning, deferred compensation, group insurance plans and commuting expenses for the Chairman and CEO) and payments and benefits in the case of an occurrence of a change of control. Under the contract which Mr. Zarkin negotiated with the ECC, Mr. Zarkin participated in the MIP in 2007, but will not participate in 2008 or in later years, and does not participate in the GIP.

We discuss each of these eight elements in this section, and then outline how the ECC views the interrelationship among the elements. For a discussion and analysis of how these elements of compensation were awarded to our NEOs with respect to 2007, see the section below entitled *Compensation Actions Relating to Fiscal 2007* on pages 28-33.



### *1. Base Salary*

Each NEO receives a base salary to attract and retain management talent to BJs with the experience and skills necessary to succeed in our business model. The Director of Human Resources provisionally slots each newly hired executive into a salary grade based on internal roles and levels of responsibilities. A proposed salary is established for each grade, and Watson Wyatt is asked to provide competitive rates of pay for each role to confirm the provisional slotting. The ECC makes the final decision as to an individual's initial salary within the competitive range based upon a variety of factors, most notably the executive's skills and experience level.

Thereafter, changes to base salary levels are driven primarily by individual performance and/or changes to the scope of the position:

*Named Executive Officers (Other than the CEO):* The Chairman and CEO discusses the performance of each NEO with the ECC and makes annual salary increase recommendations. These recommendations are at the Chairman and CEO's discretion and are based on his overall subjective evaluation of the individual's performance, as well as the NEO's base pay and total compensation relative to competitive market information as provided by Watson Wyatt. The ECC considers the input from the Chairman and CEO, but has final approval for NEO salary increases.

*Chief Executive Officer:* Under his contract, see page 28, Mr. Zarkin's salary is set for the three-year term of that agreement.

### *2. Annual Incentive the Management Incentive Plan*

Under the MIP, which is up for re-authorization at this annual meeting, NEOs and other members of management are eligible to receive annual cash awards based upon the achievement of annual financial performance goals.

At the beginning of each year, the ECC establishes the MIP performance goals and corresponding target awards, based on one or more objective criteria which are listed under Description of the MIP (as Proposed to Be Amended and Restated) on pages 44-46. In recent years, the ECC has established the target for NEOs based on year-over-year increases in sales and net income.

There is no individual performance component of the MIP. In establishing the performance targets the ECC holds discussions with the Chairman and CEO to gain his perspective on achievable goals, but also independently discusses the previous year's performance and the reasonableness of the performance standard set for the coming year or cycle.

We seek to set the level of target award in the context of the market for our executives' services and to be competitive (between the 50<sup>th</sup> and 75<sup>th</sup> percentile) with BJs' peer group. In the recent past, the annual target award for the Chairman and CEO is 75% of base salary, with a maximum payment of 100% of salary. The President's target award is 50% of base salary, up to a maximum of 100% of base salary. Other NEOs' annual target awards are 30% of base salary, with a maximum of 60% of base salary. The target for the Chairman and CEO and President exceed that of the other NEOs to recognize their leadership roles at BJs and market norms. It has been our practice to provide identical target awards for all our EVPs at the 30% level, and to not distinguish between individual EVPs. Currently, no executive officer may receive a MIP award in a calendar year in excess of the lesser of (i) 100% of his or her earned base compensation or (ii) \$1,000,000. This limit would increase to \$1,500,000 if Proposal 2 is approved.

## Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

MIP awards at target reward the executive team for BJ's annual achievement of key strategic objectives. The ECC reviews the payout calculations after the year's financial results have been audited. Incentive award payments above target reward the executive team for delivering results above plan. MIP payments are scaled from target down to zero when financial results are below plan.

The history of payments under the MIP for executive officers for the last five years is set out in the table below.

	<b>MIP PAYMENT</b>
	<b>AS PERCENT OF</b>
<b>YEAR</b>	<b>TARGET</b>
2003	124.1%
2004	112.0%
2005	63.5%
2006	5.3%
2007	140.6%

The MIP targets and dollar awards for the NEOs in 2007 are discussed in more detail on page 30.

### *Long-term Incentives General Comments*

BJ's long-term incentive program includes both equity and cash components. Long-term incentives are designed to enhance the ability of BJ's: (i) to hire and retain individuals of exceptional managerial talent necessary to manage optimally BJ's warehouse club retail format, (ii) to align rewards with shareholder gains, and (iii) to be competitive with the market benchmarks that we target. The awards to the NEOs are generally based on the level of responsibility, the contribution towards BJ's performance, and a survey of competitive compensation data provided by management's consultant, Watson Wyatt.

While our 2007 Stock Incentive Plan authorizes the grant of a broad range of equity awards, the ECC has made only grants of options and/or restricted shares. Equity-based compensation ensures that the NEOs have an interest in the long-term success of BJ's and are aligned with the interests of our shareholders. In determining the size of an equity grant, normally made in May of each year, the ECC considers the performance of BJ's during the previous year and the competitive equity awards being granted in the marketplace. The grant price is normally the closing price on the date of grant. The ECC generally has not made equity grants during black-out periods in accordance with BJ's insider trading policy.

### *3. Stock Options*

Stock options are primarily awarded to align executive interests with those of BJ's shareholders. The vesting of awards provides significant retention value, particularly when the value of the stock has increased relative to the price of the option when initially granted. Options are granted with a strike price equal to the closing price of BJ's shares as of the grant date, generally vest pro-rata over a four-year period and have a ten-year term. This design is common among our peer companies, as well as the broader market.

### *4. Restricted Stock*

## Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

The ECC believes restricted stock provides a direct link to shareholder value creation, financial and operational performance, and provides an appropriate balance of risk and reward. Under our 2007 Stock Incentive Plan, restricted shares must vest over a period of years, and may contain a performance hurdle to become vested. Restricted shares which vest solely because of the passage of time may not vest in full earlier than 36 months after the grant date.

### *5. BJS Growth Incentive Plan*

The GIP, which is up for re-authorization at this annual meeting, is intended to provide executives of BJS with cash awards based upon BJS growth and performance and to encourage retention of executives. As with the MIP, awards may be based on one or more objective measures of performance. The applicable measure is selected by the ECC at the beginning of each three-year award period. The GIP allows the ECC to determine in its sole discretion any adjustments deemed appropriate to increase or decrease the value of a payout in response to unusual and nonrecurring events. However, the ECC cannot make any adjustments for the sole purpose of

increasing the incentive award payout to the Chairman and CEO and other NEOs at the end of an award period, other than in the case of certain extraordinary events. Currently, no individual award payment under the GIP can exceed \$2,000,000 in any calendar year. This limit would increase to \$2,500,000 if Proposal 3 is approved.

Under the employment agreement negotiated at the time he accepted the position of interim CEO, Mr. Zarkin does not participate in the GIP. All other NEOs currently participate in the GIP and are awarded a specific number of performance units based on the historical awards provided to our NEOs. It is our intention that the number of performance units awarded place our NEOs' overall compensation within the 50<sup>th</sup> to 75<sup>th</sup> percentile of our market peer companies.

In 2006 and prior years, the ECC established a *target percentage* for our cumulative incremental income over the three-year performance period subject to a *minimum threshold* of compound annual growth. The *target value* of a unit during this period generally ranged from 0.020% to 0.025% of the cumulative incremental income improvement for the performance period, and was set at the same amount for all EVPs, with higher amounts for the Chairman and CEO and President.

Expressed as a formula, using fiscal 2005 as the base year for example, the formula would be:

(The sum of net income in 2006, 2007 and 2008) - (3 x the net income in 2005) = X%

(3 x the net income in 2005)

If X% is at the target percentage, the target value will be paid per unit.

If X% is below the target percentage, no amount will be paid.

If X% exceeds the target percentage, a bonus in excess of the target value per unit will be paid.

This formulation was used in the 2005-2007 and 2006-2008 cycles. More specifically:

**2005 - 2007 Cycle.** GIP awards granted to BJS executive officers in 2005 were based on cumulative 10% net income improvement for BJS over the base year for the three-year period ended February 2, 2008. Payments based on awards granted under the GIP in 2005 were to be payable, if at all, in cash in April 2008, contingent on employment continuing through February 2, 2008. The target threshold was not met, and no payout was made. This was the second consecutive year in which no payout was made under the GIP program, and the third out of the last four years with no payout under the GIP.

**2006 - 2008 Cycle.** GIP awards granted to BJS executive officers in 2006 were based on cumulative net income improvement for BJS over the base year for the three-year period ending January 31, 2009. Payments based on awards granted under the GIP in 2006 will be payable, if at all, in cash in April 2009, contingent on employment continuing through January 31, 2009. Given the performance of BJS over the first year of this cycle, and despite BJS performance in 2007, we believe that payments under this GIP cycle are unlikely.

## Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

For the 2007-2009 cycle of the GIP, the ECC authorized the use of a different formula. In the 2007-2009 cycle, the target was set at the sum of net income in 2007, 2008 and 2009. If the target is met, the target bonus will be paid. Payments under the plan scale up for performance above target, and down for performance below target, reaching zero at 93.75% of target. Payments based on awards granted under the GIP 2007-2009 cycle will be payable, if at all, in cash in April 2010, contingent on employment continuing through January 30, 2010.

Given the recent performance of BJs, no payments have been made to our NEOs under the GIP in three of the last four years, and payments are unlikely next year. While still setting a high bar, we believe that the formulation for the GIP authorized for the 2007-2009 cycle more appropriately sets a significant, but achievable target for this bonus payout. Given BJs performance in the first year of this cycle under the leadership of our new management team, the ECC currently believes that the payment of awards under the GIP for the 2007-2009 cycle is probable.

At this time, the ECC does not anticipate authorizing a GIP cycle for 2008-2010, and will likely provide only restricted stock (subject in whole or in part to performance criteria) to our NEOs as long-term incentive compensation. A final decision will be made on this issue until May 2008.

#### *6. Retirement Benefits available to NEOs and other BJS employees*

A. *401(k) Plan*: BJS offers a 401(k) plan to all of its eligible employees through which they can defer a portion of their salary and annual incentive. The Chairman and CEO and all other NEOs who are participants in the 401(k) plan are considered highly compensated employees and are limited to deferring from 1% to 7% of their salary and annual incentive on a pre-tax basis, up to the annual maximum allowed under law. BJS matches the first 5% of the participant's contributions as follows: 100% on the first 1% of contributions and 50% on the next 4% of contributions. BJS contributions vest over the first four years of employment. The plan provides the participants with diversified investments into which they may invest their contributions.

B. *Executive Retirement Plan (ERP)*: The ERP is designed to enhance our ability to hire and retain the required executive talent by providing a program through which BJS contributes amounts toward retirement over and above the matching contributions of the 401(k) plan. The ECC authorizes an annual contribution on an after-tax basis on behalf of all executives at the level of Assistant Vice President and above, and has sole discretion to determine the amount of the contribution provided that the contribution is at least 3% or more of the participant's base salary earned in the prior fiscal year. The contribution is deposited into an investment account that is part of a Group Variable Universal Life Insurance certificate. Since the ERP's inception, the ECC has voted a contribution amount equal to 5% of the base salary earned through fiscal year end. Contributions are accumulated and held in an account and vest in full at the end of the fiscal year in which four years of service are achieved. After the vesting criterion is met, the executive can invest the account balance among a diversified investment portfolio. Withdrawal from the executive's account during the course of an executive's employment would cause future contributions to be forfeited.

#### *7. Additional Benefits and Perquisites*

BJS provides the Chairman and CEO and other NEOs with a mix of benefits and perquisites as follows:

A. *Perquisites*. BJS provides its NEOs with the following perquisites: auto allowance, physical exam, annual tax preparation and financial counseling and estate planning. As set out on the table on page 34, these perquisites are relatively modest in amount. In March 2007, the Board of Directors adopted a policy requiring, to the extent practical, that Mr. Zarkin travel by private aircraft on business and personal matters to improve security, efficiency and productivity. Accordingly, BJS provides Mr. Zarkin the use of jet aircraft as an expedient and efficient means to commute to work and to travel to various company, and other, locations that are dispersed over a broad geographic area.

B. *Deferred Compensation*. BJS allows NEOs to defer the receipt of compensation to a later date on a tax-deferred basis. This plan is described on page 37.

C. *Group Insurance Plans*. BJS provides all eligible employees with a comprehensive mix of insurance benefits which include medical, dental, basic life (to a maximum of \$100,000), supplemental life (to a maximum of \$500,000), disability, business travel accident, and accidental death and dismemberment. NEOs also receive executive life (2x the executive's base salary, up to \$2.5 million).

#### *8. Change of Control and Other Termination Benefits*

The ECC recognizes that the possibility of a change of control or potential change of control of BJS may result in the departure or distraction of management to the detriment of BJS and its shareholders and wishes to assure the executive a fair compensation and benefit arrangement when the executive's employment is continued or involuntarily terminated following a change of control or potential change of control of the Company.



It is BJ's intention to provide severance and change of control benefits that are consistent with market practice. Management reviews severance and change of control program provisions against market trends from time to time to ensure continued alignment with peer companies, and makes recommendations to the ECC as necessary to maintain BJ's competitive position.

In January 2006, management's compensation consultant, Watson Wyatt, conducted a competitive review and assessment of BJ's Change of Control Severance Benefit Plan for Key Employees and Change of Control Severance Agreement based on then-current market practices. No additional review was conducted in 2007. The 2006 review benchmarked our severance and change of control benefits against those of the following discount retail and large grocery companies that are similar in scope and size to BJ's: AutoZone, Circuit City, Costco Wholesale, Dillard's, Dollar General, Family Dollar Stores, Kohl's, PetSmart, Publix Super Markets, Safeway, Staples, and Target.

As a result of that review, Watson Wyatt found the key program elements of our plan, including eligibility for participation, severance benefit levels and benefit continuation timeframes, as well as payment of higher severance multiples to the Chairman and CEO, to be within competitive market practice of the companies listed above. In addition, BJ's provision to cap certain change of control benefits to eliminate the potential for triggering excise tax is consistent with a trend away from 280G tax gross-ups.

The specific Employment and Severance Agreements and Change of Control Severance Benefits for our NEOs are discussed on pages 38-42.

### C. Relationship among the Compensation Program Elements

As set out above, there are three key objectives for our executive compensation program, and each component of the compensation addresses one or more of those objectives and attributes, as follows:

<u>Objective</u>	<u>Base Salary</u>	<u>Annual Incentive (MIP)</u>	<u>Long Term Incentives (GIP and Equity)</u>	<u>Retirement, Perquisites, and Termination/ Change of Control Benefits</u>
Hire and retain key talent	√	√	√	√
Integrate compensation with the achievement of BJ's annual and long-term goals		√	√	
Link management's interests with shareholders over the long term			√	

While there is no set allocation between or among the various elements, the elements of the compensation plan are interwoven, and these inter-relationships are taken into account in establishing the target compensation for our NEOs:

Base salary is the primary vehicle for providing NEOs a source of fixed income. As discussed above, the ECC evaluates market data along with the Chairman and CEO's input on individual performance to provide market competitive base salary levels (along with benefits and perquisites) which are critical in attracting, retaining and motivating talented executives.

## Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

MIP awards are set as a percentage of base pay, and as such, salary decisions impact annual incentive opportunities. Taking these annual payments together, BJ s seeks to provide meaningful levels of annual incentive opportunities that would be sufficient to drive performance. Total cash compensation levels (base + target MIP) are evaluated against market benchmarks to ensure the compensation is at an appropriate level to retain a talented executive team and stay within our desired competitive range of the 50th to 75th percentile of the medium of our peer companies.

While BJ s financial performance in any given year is used to calculate the MIP for that year, each year s performance is also used to calculate multiple awards under the GIP program. As a result, there is

a relationship between MIP and GIP payment levels, versus their targets, over time. In addition, given the three-year structure of the GIP program, a weak first year makes it very difficult to achieve the targets set for the cycle. Similarly, a strong first year increases the likelihood of an eventual payout.

Long-term incentives are not directly tied to the other elements of the compensation program, but are an important component when evaluating our compensation packages against competitive benchmarks and our desired competitive range, and most directly link NEO compensation and long-term gains for our shareholders.

#### D. Competitive Frames of Reference

We consider a variety of internal and external criteria and data as a significant factor in arriving at pay decisions. Competitive frames of reference are utilized as a tool to make the following decisions:

Competitive pay opportunities for the services of our NEOs;

Alignment of incentive targets with performance;

Appropriateness of our long-term incentives, both from a vehicle and competitiveness standpoint; and

Appropriateness of mix of pay in terms of fixed versus variable and short-term versus long-term incentives.

#### *Watson Wyatt Data*

In 2007, management received benchmarking data from Watson Wyatt that was used in setting NEO compensation. Watson Wyatt's market assessment for NEOs was based on base salary, total cash compensation and total direct compensation from the following group of peer organizations. This group of organizations was established in 2006 by Watson Wyatt based on industry and financial criteria including revenue, net income and market capitalization, with review and feedback from BJ's management.

Peer Company	Financial Statistics		
	Revenue (\$ millions)	Net Income (\$ millions)	Market Cap (\$ millions)
Advance Auto Parts Inc	4,616.5	231.3	3,649.5
Autozone Inc	6,169.8	595.7	8,206.1
Barnes & Noble Inc	5,261.3	150.5	2,536.6
Big Lots Inc	4,743.0	124.0	2,439.1
Circuit City Stores Inc	12,429.8	-8.3	1,336.9
Dillard's Inc	7,803.6	245.6	1,849.6
Dollar General Corp	9,169.8	137.9	(1)
Family Dollar Stores Inc	6,834.3	242.9	3,734.0

Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

Kohls Corporation	15,544.2	1,108.7	17,468.8
Longs Drug Stores Corp	5,097.1	74.5	1,982.8
Officemax Inc	8,965.7	91.7	2,385.6
Radioshack Corp	4,777.5	73.4	2,703.0
Staples Inc	18,160.8	973.7	16,727.7
Supervalu Inc	37,406.0	452.0	8,176.3
Whole Foods Market Inc	5,607.4	203.8	6,885.4
75th Percentile	10,799.8	348.8	7,853.5
Median	6,834.3	203.8	3,176.3
25th Percentile	5,179.2	107.9	2,399.0
<i>BJ's Wholesale Club, Inc.</i>	8,480.3	72.0	2,343.2
Percent Rank	61.3%	7.0%	22.2%

(1) Dollar General was purchased by private investors in July 2007.

**Towers Perrin Data**

In 2007, the ECC utilized two Towers Perrin data sources as input to develop pay recommendations for the Chairman and CEO.

This data was in addition to the Watson Wyatt data provided to the ECC, which also included specific data on CEO compensation benchmarks.

1. 2006 proxy filings of the following 13 retail/wholesale companies within a comparable range of revenues to BJ s:

<b>Peer Company</b>	<b>Peer Company Financials(1)</b>		
	<b>Fiscal Year End</b>	<b>Revenue (\$ Millions)</b>	<b>Net Income (\$ Millions)</b>
Big Lots Inc.	Jan06	4,429.9	- 10.1
Circuit City Stores Inc.	Feb06	11,597.7	139.7
Dollar General Corp	Jan06	8,582.2	350.2
Dollar Tree Stores Inc.	Jan06	3,393.9	173.9
Family Dollar Stores Inc.	Aug06	6,394.8	201.7
Kohl s Corporation	Jan06	13,402.2	842.0
Office Depot Inc.	Dec05	14,278.9	273.8
Pathmark Stores Inc.	Jan06	3,977.0	- 40.1
Ross Stores Inc.	Jan06	4,944.2	199.6
Staples Inc.	Jan06	16,078.9	834.4
SuperValu Inc.	Feb06	19,864.2	206.2
TJX Companies Inc.	Jan06	16,057.9	690.4
Whole Foods Market Inc.	Sept06	5,607.4	203.8
<i>25<sup>th</sup> Percentile</i>		<i>4,944.2</i>	<i>173.9</i>
<i>Median</i>		<i>8,582.2</i>	<i>203.8</i>
<i>75<sup>th</sup> Percentile</i>		<i>14,278.9</i>	<i>350.2</i>
<b>BJ s Wholesale Club, Inc.</b>	<b>Jan06</b>	<b>7,949.9</b>	<b>128.5</b>
<i>Percent Rank</i>		<i>48%</i>	<i>16%</i>

(1) Peer company financials represent the most recent fiscal year end data available as of the date of the analysis and were extracted from S&P s Research Insight Financial Database.

The selection of companies is reviewed periodically by the ECC to reflect changes in BJ's financial and operating structure as well as to capture changes that might have occurred at the survey companies (e.g., mergers, acquisitions, etc.).

2. 2006 Towers Perrin Retail/Wholesale Executive Compensation Survey This data was displayed so as to allow a regression analysis to estimate the compensation range for a Chairman and CEO of a retailer with \$8 billion in revenues. The 49 companies included in the survey were:

A&P	Harry Winston	RSC Equipment Rental
Adidas America	Home Depot	Safeway
Ann Taylor Stores	J.C. Penney Company	Sears
Applebee's International	J. Crew	7-Eleven
AutoZone	Kohl's	Sports Authority
Best Buy	Levi Strauss	Staples
Big Lots	Limited	Target
Blockbuster	L.L. Bean	Toys 'R Us
Chanel	Longs Drug Stores	True Value Hardware
Circle K	Macy's	United Rentals
COACH	Office Depot	United Stationers
Columbia Sportswear	Papa Johns	VF
CVS Pharmacy	PetSmart	Warnaco
Darden Restaurants	Phillips-Van Heusen	Whole Foods Market
Foot Locker	Polo Ralph Lauren	Williams-Sonoma
Gap	Raley's Superstores	
Hannaford	Ross Stores	

While the compensation offered to Mr. Zarkin was, as discussed below, based in large part on the fact that he was uniquely qualified to lead BJ's through this stage of its development, the ECC was mindful of industry best practice and comparable compensation packages as it designed his compensation for 2007.

#### E. Tax Considerations

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), places a limit of \$1,000,000 on the amount of compensation that BJ's may deduct in any one year with respect to the Chairman and CEO and each other officer whose compensation is required to be reported to our shareholders pursuant to the Exchange Act by reason of being among the four most highly compensated executive officers. Certain compensation, including qualified performance-based compensation, will not be subject to the deduction limit if certain requirements are met. The ECC reviews the potential effect of Section 162(m) periodically and, in general, structures and administers the MIP, the GIP, performance-based restricted shares and options granted under the 2007 Stock Incentive Plan in a manner intended to comply with the performance-based compensation exception to Section 162(m). Nevertheless, there can be no assurance that compensation attributable to awards granted under BJ's incentive plans will be treated as qualified performance-based compensation under Section 162(m). Time-based restricted stock awards granted under the 2007 Stock Incentive Plan do not qualify as performance-based compensation. The ECC reserves the right to use its judgment to authorize compensation payments that may be subject to the limit when the ECC believes such payments are appropriate and in the best interests of BJ's and its shareholders, after taking into consideration changing business conditions and the performance of its executives.



### III. Compensation Actions Relating to Fiscal 2007

In 2007 BJ's reassembled its senior management team, including the NEOs, to provide experienced leadership for BJ's in both the short and long terms. Specifically:

Herbert J Zarkin, our Chairman, assumed the position of interim CEO in November 2006, and subsequently signed a three-year contract as Chairman, CEO and President on February 28, 2007. Mr. Zarkin has been a director of BJ's since November 1996 and Chairman of the Board since 1997. From 1993 to 1997, he served as President, CEO and a Director of Waban Inc., which operated BJ's as well as HomeBase, another warehouse merchandising business.

Laura J. Sen, a 14 year veteran of BJ's, with almost 30 years experience in mass retailing, reassumed the position of Executive Vice President, Merchandising and Logistics on January 4, 2007 after a four-year absence from BJ's. She had previously served in that same role from 1997 to 2003 and prior to that time served in a number of roles in our merchandising and logistics operations. On January 15, 2008, the Board elected Ms. Sen President and Chief Operating Officer of BJ's.

Frank D. Forward was a member of the team that formed BJ's Wholesale Club as a development stage business in 1984, and has been with BJ's continuously since that time. He served as Executive Vice President and Chief Financial Officer of BJ's from 1997 until May 2005, when he was named Chief Administrative Officer. Since December 2005, Mr. Forward served as BJ's Interim Chief Financial Officer. Mr. Forward signed a three-year contract to reassume the CFO position effective January 8, 2007.

Thomas F. Gallagher has more than 30 years of experience in retail operations. He began his career with BJ's in 1991 as a regional manager, advancing through positions of increasing responsibility in operations, both at BJ's and HomeBase. Prior to his promotion to Executive Vice President, Operations, on January 29, 2007, he served as BJ's Senior Vice President of Operations.

Lon F. Povich joined BJ's on February 26, 2007, as Senior Vice President, General Counsel and Secretary. For the 11 years prior to his appointment, he served as General Counsel at The Boston Consulting Group, an international management consulting firm. Mr. Povich was promoted to Executive Vice President on June 4, 2007.

The ECC determined that a team of this experience and caliber was essential to effect BJ's turnaround and to put in place a leadership team for the long-term, future success of BJ's. As a group, these individuals have extensive experience in the warehouse club format and with BJ's in particular. Each of these executives has agreed to stay at, return to, or join BJ's with a compensation package that is consistent with our overall compensation program, as explained in the prior section. In addition, we negotiated individually with each of these executives a reasonable set of one-time, equity-based grants necessary to attract and retain them at BJ's. Future payments, if any, under those One-Time Grants (which include both options and restricted stock) relate directly to BJ's share price and as such are closely tied to the overall success of the business and shareholder return.



The following five sections outline the Base Salaries, 2007 Management Incentive Plan, 2007 Growth Incentive Plan, Equity-based Compensation, and Retirement Compensation that the ECC established for our NEOs in 2007.

*1. Base Salaries*

Executive and Position	Salary at Start of Year	Salary at Year End	Comments
Herbert J Zarkin, Chairman of the Board and Chief Executive Officer	\$975,000	\$975,000	Mr. Zarkin's salary is fixed over the three year term of his contract
Frank D. Forward, Executive Vice President and Chief Financial Officer	\$450,000	\$450,000	Mr. Forward's salary was set in January 2007
Laura J. Sen, President and Chief Operating Officer	\$450,000	\$675,000	Ms. Sen's salary was increased at the time of her promotion to President and COO on January 15, 2008
Thomas F. Gallagher, Executive Vice President, Club Operations	\$375,000	\$425,000	Mr. Gallagher received an increase in May 2007 to bring his salary more in line with market peers
Lon F. Povich, Executive Vice President, General Counsel and Secretary	\$350,000	\$375,000	Mr. Povich's salary was increased at the time of his promotion to Executive Vice President on June 4, 2007

*2. 2007 Management Incentive Plan*

For 2007, the MIP for the NEOs was based two-thirds on the achievement of BJ's 2007 net income goal of \$104,800,000, and one-third on achievement of the 2007 merchandise sales goal of \$7,735,844, for all of our club locations, other than locations opened during the current fiscal year. The formulation of the 2007 MIP is consistent with the structure of past plans, and is aligned with our long-term growth model of 10-15% improvement, annually, in earnings per share.

Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

The table below indicates each NEO's 2007 target award and the actual award paid in 2008 based on the accomplishments against the goals that were established in 2007. Net income was 13% above the goal for the year, while sales were 1% below the goal.

<u>Executive and Position</u>	<u>Target Award (% of Salary)</u>	<u>Target Award</u>	<u>Actual Incentive Award Paid (Paid in March 2008)</u>	<u>Actual Award As a % of Target Award</u>
Herbert J Zarkin, Chairman of the Board and Chief Executive Officer	75%	\$731,250	\$975,000	133.3%(1)
Frank D. Forward, Executive Vice President and Chief Financial Officer	30%	\$135,000	\$189,811	140.6%
Laura J. Sen, President and Chief Operating Officer	30% increased to 50% at the time of promotion	\$146,683	\$206,237	140.6%
Thomas F. Gallagher, Executive Vice President, Club Operations	30%	\$122,596	\$172,371	140.6%
Lon F. Povich, Executive Vice President, General Counsel and Secretary	25% increased to 30% at the time of promotion	\$99,279	\$139,587	140.6%

(1) Mr. Zarkin's award was capped at 100% of his salary, and thus his actual award as a percent of target is lower than the other NEOs.

3. 2007 Growth Incentive Plan

The net income profit improvement threshold for the GIP 2005-2007 performance cycle was \$444,646,000. This goal was not achieved and no payouts were made for this performance cycle.

The ECC granted GIP awards to BJS executive officers in 2007. Payment of these awards will be based on cumulative net income for the three-year period ending January 31, 2010, and will be payable, if at all, in cash in April 2010, contingent on employment continuing through January 31, 2010. For the 2007-2009 performance cycle the ECC granted the following number of performance units under the GIP with a target value of \$20,000 per unit:

<u>Executive and Position</u>	<u>Performance Units</u>	
	<u>Awarded</u>	<u>Target Award</u>
Herbert J Zarkin, Chairman of the Board and Chief Executive Officer	0	0
Frank D. Forward, Executive Vice President and Chief Financial Officer	10 units	\$ 200,000
Laura J. Sen, President and Chief Operating Officer	13.43 units (10 units increased to 15 units as of date of promotion)	\$ 268,600

Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

Thomas F. Gallagher,	10 units	\$ 200,000
Executive Vice President, Club Operations		
Lon F. Povich,	9.73 units (7 units increased to 10 units as of date of promotion)	\$ 194,600
Executive Vice President, General Counsel and Secretary		

The target awards are set to align total compensation with appropriate competitive benchmarks, both for each individual position and relative to one another.

#### *4. 2007 Equity-based Compensation*

Given the need to hire and retain the management team put in place during 2007, the ECC approved the One-Time Grants of options and shares at the time that the NEOs returned to BJs, agreed to join BJs, agreed to extend their tenures and/or were promoted. These grants preceded and were in addition to the annual grants made by the ECC in May 2007. The size of the One-Time Grants were established by the ECC based upon the recommendation of the Director of Human Resources and the Chairman and CEO, and were set at the levels that management believed, after negotiation with each executive, were necessary to attract these individuals to the positions they accepted at BJs.

In conjunction with his three-year agreement to serve as President and CEO in March 2007, which he negotiated directly with the ECC, Mr. Zarkin received 250,000 shares of restricted stock that will vest in full in May 2010. He received no other equity grants during 2007. Moreover, in 2008, Mr. Zarkin will not participate in the MIP or GIP cash incentive programs. In formulating Mr. Zarkin's One-Time Grant, the ECC considered a variety of long-term incentive vehicles (including stock options, performance cash and performance shares). The ECC determined that restricted stock would be the most effective vehicle, in that the retention of Mr. Zarkin's services were absolutely critical at a time when BJs needed to effect a significant and important strategic shift in its focus and operations. Mr. Zarkin intends to retire at the conclusion of the three-year period, which called into question the retention and engagement value of stock options with a ten-year term. Restricted stock will provide the retention incentive BJs must have to secure Mr. Zarkin's services during this important phase of our history and reinforces the importance of stock price growth over the upcoming years.

On March 7, 2007, in consideration for her return to BJs as EVP of Merchandising and Logistics, Ms. Sen received 30,000 shares of restricted stock that vest in full in March 2010; and options to purchase 100,000 shares at an exercise price of \$32.20 that vest in four equal annual installments beginning March 2008. In addition, in May 2007, Ms. Sen received a grant of 20,000 shares of restricted stock that vest in full in May 2010. This share grant is subject to certain performance criteria described in the next paragraph (the 2007 Grant Performance Criteria).

While restricted shares may increase, or decrease, in value as a result of market performance of our shares, the ECC believed that it was important to add an additional performance hurdle of a cumulative three-year net income improvement in the May 2007 restricted share grants to our NEOs. There is a down slope on the vesting such that if BJs fails to meet the total dollar amount of the three-year net income improvement, fewer shares will vest. No shares will vest if BJs falls short of the total three-year net income improvement by approximately 5.75%. Given BJs performance in the first year of the three-year cycle, we believe that it is probable that the target three-year net income improvement will be met.

In March 2007, Mr. Forward, in conjunction with his three-year agreement to serve as CFO, received 30,000 shares of restricted stock that vest in full in March 2010 and options to purchase 100,000 shares at an exercise price of \$32.20 that vest in three equal annual installments beginning March 2008. In addition, in May 2007, Mr. Forward received a grant of 20,000 shares of restricted stock that vest in full in May 2010. This share grant is subject to the 2007 Grant Performance Criteria.

In March 2007 in conjunction with his promotion to Executive Vice President of Operations, Mr. Gallagher received 25,000 shares of restricted stock that vest in full in March 2010 and options to purchase 75,000 shares at an exercise price of \$32.20 that vest in four equal annual installments beginning March 2008. In addition, in May 2007, Mr. Gallagher received a grant of 20,000 shares of restricted stock that vest in full in May 2010. This share grant is subject to the 2007 Grant Performance Criteria.



Mr. Povich joined BJS in February 2007 as Senior Vice President and General Counsel, and in March 2007, received 21,000 shares of restricted stock that vest 5,000 shares in March 2008, 5000 shares in March 2009 and 11,000 shares in March 2010. At the same time, he received options to purchase 50,000 shares at an exercise price of \$32.20 that vest in four equal annual installments beginning March 2008. In addition, in May 2007, Mr. Povich received a grant of 12,500 shares of restricted stock that vest in full in May 2010. This share grant is subject to the 2007 Grant Performance Criteria.

Displayed in tabular form, in 2007 BJS NEOs received the following stock option grants and restricted stock awards:

<u>Executive and Position</u>	<u>Non-Qualified Stock Option Grants</u>		
	<u>One-Time Grant</u>	<u>Annual May Grant</u>	<u>Total</u>
Herbert J Zarkin, Chairman of the Board and Chief Executive Officer	0	0	0
Frank D. Forward, Executive Vice President and Chief Financial Officer	100,000	0	100,000
Laura J. Sen, President and Chief Operating Officer	100,000	0	100,000
Thomas F. Gallagher, Executive Vice President, Club Operations	75,000	0	75,000
Lon F. Povich, Executive Vice President, General Counsel and Secretary	50,000	0	50,000

<u>Executive and Position</u>	<u>Restricted Share Grants</u>		
	<u>One-Time Grant</u>	<u>Annual May Grant</u>	<u>Total</u>
Herbert J Zarkin, Chairman of the Board and Chief Executive Officer	250,000	0	250,000
Frank D. Forward, Executive Vice President and Chief Financial Officer	30,000	20,000	50,000
Laura J. Sen, President and Chief Operating Officer	30,000	20,000	50,000
Thomas F. Gallagher, Executive Vice President, Club Operations	25,000	20,000	45,000
Lon F. Povich, Executive Vice President, General Counsel and Secretary	21,000	12,500	33,500

While remaining consistent with our overall strategy for setting NEO compensation, in 2007 we chose to award restricted shares in the annual grant (rather than options) to match market trends, to put in place a management team to execute the turnaround, and to align that team's remuneration with the performance of our stock.

##### 5. Executive Retirement Plan

On February 6, 2008, the ECC approved retirement contributions for fiscal 2007 of five percent (net of taxes) of base salary for executive officers of the Company under the ERP.

##### 6. 2007 Target Compensation

The following table outlines each NEO's position versus market median estimated as of May 2007 by Watson Wyatt's based on their compensation assessment data discussed on page 25. For BJs, the table includes information for base salary (using the actual base salary of BJs NEOs for 2007), total target cash compensation (base + target MIP) and total target direct compensation (base + target MIP + target GIP and actual equity awards made during 2007) shown without, and with, the One-Time Grants.

**Position vs. Peer Group Median (50<sup>th</sup> Percentile) (100% is equal to Peer Group Median)**

<b>Executive and Position</b>	<b>Base</b>	<b>Total Cash Compensation</b>	<b>Total Direct Compensation (without One-Time Grants)</b>	<b>Total Direct Compensation (with One-Time Grants)</b>
Herbert J Zarkin, Chairman of the Board and Chief Executive Officer	108%	95%	41%	234%
Frank D. Forward, Executive Vice President and Chief Financial Officer	78%	62%	98%	246%
Laura J. Sen, President and Chief Operating Officer	108%	112%	135%	315%
Thomas F. Gallagher, Executive Vice President, Club Operations	99%	86%	108%	238%
Lon F. Povich, Executive Vice President, General Counsel and Secretary	100%	80%	104%	226%

BJ's base salaries are generally competitive with market median and consistent with the compensation philosophy targeting compensation between the 50<sup>th</sup> and 75<sup>th</sup> percentile of the median of the peer group. All of BJ's NEOs are at approximately the 50<sup>th</sup> percentile, with the exception of Mr. Forward, who is below the median. However, Mr. Forward's total direct compensation is at market median.

Total cash compensation reflects the ECC's goal of integrating annual performance and NEO compensation, and is below the median of the peer group for all NEOs, except for Ms. Sen who is within the target range of the 50<sup>th</sup> to 75<sup>th</sup> percentile.

The ECC's decision to emphasize compensation linked to the long-term performance of BJ's brings all of the NEOs, except Mr. Zarkin within the target range. Mr. Zarkin did not participate in the GIP, received no annual grant in May 2007, and thus was below the median.

Payments of the One-Time Grants significantly impact the data and are displayed separately. As discussed in more detail on page 28, the ECC believes that these awards were necessary and appropriate to rebuild the management team at BJ's. The eventual value of these grants will be closely tied to the success of BJ's business over the three-year period of the grants.

**IV. Closing Comments**

Taken as a whole, BJ's believes that it has put in place a management team to lead BJ's turnaround and to well-position BJ's for the future. Using our traditional compensation elements, the ECC has created an incentive package for BJ's NEOs that the ECC believes is in the best interest of our shareholders and consistent with market practices of peer companies.

**Executive Compensation Committee Report**



The Executive Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with BJS management. Based on this review and discussion, the Executive Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

By the Executive Compensation Committee of the Board of Directors of BJS Wholesale Club, Inc.

S. James Coppersmith, *Chair*

Edmond J. English

Lorne Waxlax

**Compensation of Executives**

The following table shows the compensation paid during the last two fiscal years to our Chief Executive Officer, our Chief Financial Officer, and our three other most highly compensated executive officers as of February 2, 2008. These five people are referred to in this proxy statement as our named executive officers, or NEOs.

**SUMMARY COMPENSATION TABLE**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)(1)</b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$)(2)</b>	<b>Option Awards (\$)(3)</b>	<b>Non-Equity Incentive Plan Compensation (\$)(4)</b>	<b>All Other Compensation (\$)(5)</b>	<b>Total (\$)</b>
Herbert J Zarkin <i>Chairman of the Board and</i>	2007	975,000		4,958,745	312,214	975,000	905,885	8,126,844
	2006	625,961		1,204,218	1,172,500		612,071	3,614,750
<i>Chief Executive Officer</i>								
Frank D. Forward <i>Executive Vice President</i>	2007	450,000		599,631	926,495	189,811	65,871	2,231,808
	2006	419,346		98,933	369,375	6,699	68,061	962,414
<i>and Chief Financial Officer</i>								
Laura J. Sen(6)	2007	462,981		466,144	304,638	206,237	61,572	1,501,572
<i>President and Chief</i>								
<i>Operating Officer</i>								
Thomas F. Gallagher <i>Executive Vice President,</i>	2007	408,654		417,457	377,669	172,371	60,504	1,436,655
	2006	245,808	21,310		157,663	3,272	45,688	473,741
<i>Club Operations</i>								
Lon F. Povich(7)	2007	346,635		253,254	152,319	139,587	44,819	936,614
<i>Executive Vice President,</i>								
<i>General Counsel and</i>								
<i>Secretary</i>								

- (1) Includes amounts deferred at the direction of the executive officer pursuant to our General Deferred Compensation Plan, see page 37.
- (2) The value reflected in this column is the dollar amount for financial statement reporting purposes for fiscal 2006 and 2007 in accordance with FAS 123R, and thus includes amounts from restricted stock awards granted prior to fiscal 2006. The assumptions used in valuing restricted stock awards are described under the caption "Stock Incentive Plans" in note I to our consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended February 2, 2008.
- (3) The value reflected in this column is the dollar amount for financial statement reporting purposes for fiscal 2006 and 2007 in accordance with FAS 123R, and thus includes amounts from stock options granted prior to fiscal 2006. This amount does not reflect any estimate of forfeitures related to service-based vesting. Instead, it assumes that the officer will perform the requisite service to vest in the stock options. The assumptions used in valuing the stock options we granted during 2005-2007 are described under the caption "Stock Incentive Plans" in note I to our consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended February 2, 2008. For information on the valuation assumptions with respect to stock option grants in years prior to 2005, please refer to the note G to our financial statements contained in our Annual Report on Form 10-K for the fiscal year ended January 29, 2005.
- (4) The amounts in the "Non-Equity Incentive Plan Compensation" column represent amounts paid under the MIP in April 2008 based on the performance of the Company in fiscal 2007, see pages 29-30.
- (5) The amounts in the "All Other Compensation" column for fiscal 2007 consist of the following:

Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

	Perquisites				All Other Compensation			Tax Gross-Ups for ERP Contribution (\$)
	Commuting Expenses (\$)	Auto Allowance (\$)	Financial Counseling (\$)	Estate Planning (\$)	401(k) Plan Match (\$)	Life Insurance (\$)	ERP Contribution \$(a)	
Herbert J Zarkin	762,299(b)	20,565	2,000	5,000	6,750	26,714	48,750	33,807
Frank D. Forward		15,374	1,000		6,750	4,644	22,500	15,603
Laura J. Sen		15,673			4,650	2,035	23,149	16,065
Thomas F. Gallagher		15,374	535		6,750	3,243	20,433	14,169
Lon F. Povich		14,487				972	17,332	12,028

(a) See page 23 for a description of the ERP.

- (b) In March 2007, the Board of Directors adopted a policy requiring, to the extent practical, that Mr. Zarkin travel by private aircraft on business and personal matters to improve security, efficiency and productivity. Accordingly, BJS provides Mr. Zarkin the use of jet aircraft as an expedient and efficient means to commute to work and to travel to various company, and other, locations that are dispersed over a broad geographic area. This number reflects the amount billed to BJS by third-party aircraft charter companies for these services.
- (6) Ms. Sen became an executive officer of the Company in 2006, but was not an NEO for the fiscal 2006.
- (7) Mr. Povich was not an employee of the Company in 2006.

## GRANTS OF PLAN-BASED AWARDS DURING FISCAL 2007

Name	Name of Plan	Grant Date	# of Units (for GIP Awards)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(2)
				Threshold (\$)	Target (\$)	Maximum (\$)				
Herbert J Zarkin	1997 SIP	3/9/07					250,000(3)		8,050,000	
	MIP	4/4/07		731,250	975,000					
Frank D. Forward	1997 SIP	3/9/07					30,000(3)		966,000	
	1997 SIP	3/9/07						100,000(7)	32.20	1,347,000
	2007 SIP	5/24/07					20,000(6)		743,200	
	GIP	4/4/07	10	100,000	200,000	2,000,000				
	MIP	4/4/07		135,000	270,000					
Laura J. Sen	1997 SIP	3/9/07					30,000(4)		966,000	
	1997 SIP	3/9/07						100,000(8)	32.20	1,347,000
	2007 SIP	5/24/07					20,000(6)		743,200	
	GIP	4/4/07	13.43	134,300	268,600	2,000,000				
	MIP	4/4/07		146,683	293,366					
Thomas F. Gallagher	1997 SIP	3/9/07					25,000(4)		805,000	
	1997 SIP	3/9/07						75,000(8)	32.20	1,010,250
	2007 SIP	5/24/07					20,000(6)		743,200	
	GIP	4/4/07	10	100,000	200,000	2,000,000			743,200	
	MIP	4/4/07		122,596	245,192					
Lon F. Povich	1997 SIP	3/9/07					21,000(5)		676,200	
	1997 SIP	3/9/07						50,000(8)	32.20	673,500
	2007 SIP	5/24/07					12,500(6)		464,500	
	GIP	4/4/07	9.73	97,300	194,600	2,000,000				
	MIP	4/4/07		99,279	198,558					

- (1) See pages 20-21 for a description of the MIP and pages 21-22 for a description of the GIP. See the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table above for the amounts earned in fiscal 2007 under the MIP.
- (2) The amounts shown in this column represent the grant date fair value of each equity award as determined in accordance with FAS 123R.
- (3) Represents a grant of restricted stock which vests in full as of the date of the Company's 2010 Annual Meeting of Shareholders.
- (4) Represents a grant of restricted stock which vests in full as of one week after the release of the FY 2010 earnings for the Company.
- (5) Represents a grant of restricted stock which vests as of one week after the release of the fiscal year earnings for the Company as follows: 5,000 shares for FY 2008; 5,000 shares for FY 2009; and 11,000 shares for FY 2010.
- (6) Represents grant of restricted stock which vests in full two days after the release of the Company's first quarter FY 2010 earnings. See pages 31-32.
- (7) Vests in three equal annual installments beginning on March 9, 2008.
- (8) Vests in four equal annual installments beginning on March 9, 2008.

---

**OUTSTANDING EQUITY AWARDS AT FISCAL 2007 YEAR-END**

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Herbert J Zarkin	250,000		37.06	9/14/10	100,000(1)	3,342,000
	250,000		15.01	5/22/13	250,000(2)	8,355,000
	250,000		21.39	5/15/10		
Frank D. Forward	40,000		31.00	5/25/10	5,000(3)	167,100
	25,000		37.06	9/14/10	30,000(2)	1,002,600
	25,000		45.30	9/25/11	20,000(6)	668,400
	30,000		23.03	9/12/12		
	50,000		15.01	5/22/13		
	37,500(4)	12,500(4) 100,000(5)	23.62 32.20	5/28/14 3/9/17		
Laura Sen		100,000(10)	32.20	3/9/17	30,000(11) 20,000(6)	1,002,600 668,400
Thomas F. Gallagher	3,000		25.25	12/2/13	25,000(11)	835,500
	3,750(7)	3,750(7)	27.32	9/29/14	20,000(6)	668,400
		6,000(8)	30.11	5/26/15		
		9,000(9)	29.68	5/24/16		
		75,000(10)	32.20	3/9/17		
Lon F. Povich		50,000(10)	32.20	3/9/17	21,000(12) 12,500(6)	701,820 417,750

- (1) Vests in full on March 14, 2008.
- (2) Vests in full as of the date of the Company's 2010 Annual Meeting of Shareholders.
- (3) Vests in two equal annual installments beginning May 24, 2007.
- (4) Vests in four equal annual installments beginning May 28, 2005.
- (5) Vests in three equal annual installments beginning March 9, 2008.
- (6) Vests in full two days after the release of the Company's first quarter fiscal 2010 earnings.
- (7) Vests in four equal annual installments beginning September 29, 2005.
- (8) Vests in four equal annual installments beginning May 26, 2006.
- (9) Vests in four equal annual installments beginning May 24, 2007.
- (10) Vests in four equal annual installments beginning March 9, 2008.
- (11) Vests in full as of one week after the release of fiscal 2010 earnings for the Company.
- (12) Vests as of one week after the release of the fiscal year earnings for the Company as follows: 5,000 shares for fiscal 2008; 5,000 shares for fiscal 2009; and 11,000 shares for fiscal 2010.

**OPTION EXERCISES AND STOCK VESTED DURING FISCAL 2007**

Name	Stock Awards		Option Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise \$(1)
Herbert J Zarkin	100,000	3,467,500		
Frank D. Forward	5,000	186,175		
Laura J. Sen				
Thomas F. Gallagher			12,750	105,808
Lon F. Povich				

(1) Represents the difference between the exercise price and the fair market value of our common stock on the date of exercise.

**NONQUALIFIED DEFERRED COMPENSATION DURING FISCAL 2007**

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (\$)
Herbert J Zarkin					
Frank D. Forward(1)			21,838		419,000
Laura J. Sen					
Thomas F. Gallagher					
Lon F. Povich					

(1) Mr. Forward participates in the Company's General Deferred Compensation Plan, but made no contributions to his account in fiscal 2007.

**General Deferred Compensation Plan**

BJ's maintains the General Deferred Compensation Plan to provide our non-employee directors and selected employees the opportunity to defer receipt of certain compensation in order to build savings. Under this plan, eligible employees may elect to defer all or any part of (a) base salary, (b) payments under the MIP or the GIP, (c) in the case of non-employee directors, any annual retainer, meeting fees or equity awards, and (d) subject to exceptions as the ECC may provide, other compensation payable to a participant.

Under the plan, eligible participants make deferral elections which will include (a) the amount or percentage of the eligible compensation to be deferred, (b) the date on which, or the event following which payment of such deferred compensation is to commence, (c) the payment period and schedule and (d) any designated beneficiaries. Deferred amounts earn interest compounded monthly at a rate equal to the yield quoted in the Wall Street Journal for twelve months prior to the start of the fiscal year on United States Treasury Notes with periods of remaining maturity of not less than, but closest to, ten years. The rate in fiscal 2006 was 4.31%. Participants who terminate employment receive a lump sum distribution after termination. In the case of hardship or unusual circumstance, the ECC may upon request modify any deferral election previously made under the plan. Among the NEOs and directors, only Mr. Forward and Dr. Danos have deferred amounts under this plan.

**2007 Stock Incentive Plan**

On May 24, 2007, at the 2007 Annual Meeting of Shareholders of the Company, BJS's shareholders approved the adoption of our 2007 Stock Incentive Plan (the 2007 Plan). As of May 24, 2007, the 2007 Plan replaced BJS's 1997 Stock Incentive Plan (the 1997 Plan) and no further grants were made under the 1997 Plan.

Awards may be made under the 2007 Plan for up to 4,000,000 shares of BJS common stock (subject to adjustment for changes in capitalization, including stock splits and other similar events). Awards under the 2007 Plan may include restricted stock, unrestricted stock, stock appreciation rights, performance shares or other equity-based awards.

The 2007 Plan provides that all full value awards, which generally means awards other than stock options and stock appreciation rights, will count against the 4,000,000 maximum shares issuable under the 2007 Plan at a ratio of two to one. Stock options and stock appreciation rights will count against shares issuable at a ratio of one to one.

If an award expires, terminates, is cancelled or otherwise results in shares not being issued, the unused shares covered by such award will generally become available for future grants under the 2007 Plan.

Under the 2007 Plan, stock options must be granted at an exercise price equal to or greater than the closing price of BJS common stock on the date of grant. Options may not be granted for a term in excess of ten years.

The 2007 Plan generally requires that all stock options have a minimum one-year vesting period. In general, restricted stock awards that vest solely on the passage of time may not vest sooner than ratably over three years and such awards that do not vest solely on the passage of time may not vest prior to the first anniversary of the grant.

#### **Management Incentive Plan**

Please see Proposal 2, pages 44-46, for a summary description of the MIP.

#### **Growth Incentive Plan**

Please see Proposal 3, pages 47-49, for a summary description of the GIP.

#### **Severance Benefits under Employment Agreements**

The Company recognizes that from time-to-time circumstances may result in the involuntary termination of a key executive's employment with BJS. If this occurs, the Company wishes to assure the executive that he or she will receive a fair severance pay and benefit arrangement. Such assurance is required to hire the executive talent required by the organization and to maintain executive management continuity.

We have entered into employee agreements with each of our NEOs with the following terms:



Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

<u>Executive and Position</u>	<u>Date of Agreement</u>	<u>Term of Agreement</u>
Herbert J Zarkin, Chairman of the Board and Chief Executive Officer	April 4, 2007	May 2010, as of the date of BJ s annual meeting
Frank D. Forward, Executive Vice President and Chief Financial Officer	April 3, 2007	May 2010, as of the date of BJ s annual meeting
Laura J. Sen, President and Chief Operating Officer	January 15, 2008	January 3, 2012
Thomas F. Gallagher, Executive Vice President, Club Operations	April 3, 2007	No End Date
Lon F. Povich, Executive Vice President, General Counsel and Secretary	June 3, 2007	May 3, 2012

Pursuant to these employment agreements, our NEOs are entitled to receive the following severance pay and benefit arrangements, subject to the executive entering into a binding and irrevocable release of claims and separation agreement prepared by the Company:

Two years of salary, auto allowance and medical, dental, and life insurance in effect immediately prior to the termination of employment for reasons other than voluntary, for cause or disability for all NEOs, except Mr. Zarkin, who receives one year.

MIP payments: Termination of employment for any reason prior to the last day of the performance period will not entitle a participant to any further payments, except for reason of death, normal retirement or early retirement after age 55 with the consent of the Company and at the discretion of the ECC. Payments will be prorated in the case of disability.

GIP payments: Termination of employment for any reasons other than death, disability or retirement prior to the end of the award period will not entitle the participant to any rights under the Plan and the participant will not be entitled to receive payment with respect to any incentive unit.

Restricted Shares:

As part of their One-Time Grants, discussed on pages 31-32, the ECC agreed with Mr. Zarkin and Mr. Forward that all outstanding shares of restricted stock would vest in full at the time of their termination, unless they were terminated for cause.

As to the other NEOs, all outstanding shares of restricted stock are forfeited upon termination of employment.

Stock Options: All vested and unexercised stock options are exercisable up to 90 days after termination of employment; and all unvested shares of a stock option grant will continue to vest for a period of one year after the date of termination of employment due to death, disability or normal retirement.

ERP: All eligible participants are entitled to receive an annual contribution if employed through the last day of the plan year or if termination of employment occurred during the plan year due to retirement on or after the attainment of age 55 or disability other than for cause.

#### **Benefits under Change of Control Severance Agreements**

As discussed on pages 23-24, as part of a comprehensive package to attract and retain a talented executive team, and consistent with market practices, we have also entered into change of control severance agreements with each of our NEOs that provide benefits upon a change of control or potential change of control, including severance benefits if the executive officer is terminated following such event. A change of control means, in summary: (i) the acquisition by a party or a group of 20% or more of the outstanding stock of the Company; (ii) a change, without Board of Directors approval, of a majority of the Board of Directors; (iii) the acquisition of the Company by means of a reorganization, merger, consolidation or asset sale, unless the holders of our common securities continue to own at least 60% of the surviving entity, no party or group owns 20% or more of the surviving entity and a majority of the board of the surviving entity are BJS directors; or (iv) the approval of a liquidation or dissolution of the Company. A potential change of control means, in summary: (i) the Company enters into an agreement that would result in a change of control; or (ii) the Board of Directors adopts a resolution that a potential change of control has occurred. The change of control severance agreements with our NEOs generally provide as follows:

Within 30 days after the earlier of a change of control or a potential change of control, all NEOs who are participating in the GIP or MIP will receive payment of the MIP prorated at target for the performance period and payment of the GIP prorated based on actual

Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

results for the performance period to the date of the change of control or potential change of control, whichever is earlier.

Within 30 days following a qualified termination of employment, which is generally defined as termination by the Company for cause, by the executive for good reason (as described in further detail

below) or by reason of death, incapacity or disability, after a change of control, and only if there is such a qualified termination of employment, all NEOs are entitled to receive, to the extent not already received as severance benefits under their employment agreements, three times the following salary, auto allowance and MIP payments:

*Salary*: the highest of the executive's base salary in effect immediately prior to the date of termination, immediately prior to the change of control, or in effect within 180 days before the change of control, offset by any payments made under any long-term disability plan for the three years following the termination of employment.

*Auto Allowance*: the highest of the executive's auto allowance in effect immediately prior to the date of termination, immediately prior to the change of control, or in effect within 180 days before the change of control.

*MIP*: the executive's target payment under the MIP.

Following a qualified termination of employment, all NEOs are entitled to receive three years of medical and life insurance at the highest level provided to the executive either immediately prior to the change of control or within 180 days before the change of control. In addition, all NEOs will continue to receive disability benefits and insurance at the same level that they received prior to termination of employment.

In addition, in the case of a change of control:

Stock options can be substituted with shares of the acquiring company or become fully exercisable, and all outstanding shares of restricted stock become free of all restrictions. In addition, upon a change of control all stock options become immediately exercisable and at the discretion of the BJS Board of Directors all restrictions are waived on outstanding restricted shares.

The ERP account balance will become fully vested without regard to years of service. The fiscal base earnings will be annualized for the year in which the change of control occurs and the contribution percent will be based on the lesser of the average contribution percent for the preceding three years or the NEOs years of service.

Termination for good reason means, in summary, the voluntary termination by the executive officer of his or her employment within 120 days after (a) a diminution in the executive's position, authority or responsibilities, (b) a reduction in his or her compensation or benefits, (c) any purported termination for cause in which the Company does not follow the procedure set forth in the change of control severance agreement, (d) a relocation of the executive, (e) any breach by the Company of the change of control severance agreement, (f) the sale by the Company of more than 30% of its assets or (g) if the executive is employed by a subsidiary of the Company, such subsidiary ceasing to be a subsidiary of the Company or the sale of more than 30% of the assets of such subsidiary, in each case without the executive's consent. In addition, a resignation by the executive, for any reason, during the period beginning eight months and one day after the change of control and ending one year after the change of control will be deemed to be a termination for good reason, provided that in such case, the executive will only be entitled to receive 50% of the salary, auto allowance and MIP payments described above and the group insurance benefits described above for one year (instead of three years) following the date of termination.

Notwithstanding any of the provisions described above, BJS is not obligated to provide to any executive any portion of any payments that the executive would otherwise be entitled to receive to the extent necessary to eliminate any excess parachute payments (as defined in Section 280G(b)(1) of the Code) for the executive.

**Potential Payments Upon Termination or Change of Control**

The following table describes the potential payments and benefits upon a termination without cause by BJs for each of the NEOs as if their employment was terminated as of February 2, 2008:

**Potential Payments and Benefits Upon Termination Without Cause**

Name	Salary Continuation	Auto Allowance	Benefits Continuation	Estimated Total Value of Equity Acceleration(1)	Total Termination Benefits
Herbert J Zarkin	\$ 975,000	\$ 20,565	\$ 32,449	\$ 11,697,000	\$ 12,725,014
Frank D. Forward	\$ 900,000	\$ 30,748	\$ 32,074	\$ 2,082,600	\$ 3,045,422
Laura J. Sen	\$ 1,350,000	\$ 41,130	\$ 6,904	\$ 1,793,000	\$ 3,191,034
Thomas F. Gallagher	\$ 850,000	\$ 30,748	\$ 15,111	\$ 1,671,795	\$ 2,567,654
Lon F. Povich	\$ 750,000	\$ 30,748	\$ 29,424	\$ 1,180,570	\$ 1,990,742

- (1) Includes options and shares of restricted stock. The value of unvested options was calculated by multiplying the number of shares underlying unvested options by \$33.42, the closing market price of our common stock on February 1, 2008 (the last trading day prior to February 2, 2008) and then deducting the aggregate exercise price for the options. The value of unvested shares of restricted stock was calculated by multiplying the number of shares of unvested restricted stock by \$33.42.

The following table describes the potential payments and benefits upon a termination by reason of death or disability for each of the NEOs as if their employment was terminated as of February 2, 2008:

**Potential Payments and Benefits Upon Termination by Reason of Death or Disability**

Name	Estimated Total Value of Equity Acceleration(1)	Total Termination Benefits
Herbert J Zarkin	\$ 11,697,000	\$ 11,697,000
Frank D. Forward	\$ 2,082,600	\$ 2,082,600
Laura J. Sen	\$ 1,793,000	\$ 1,793,000
Thomas F. Gallagher	\$ 1,671,795	\$ 1,671,795
Lon F. Povich	\$ 1,180,570	\$ 1,180,570

- (1) Includes options and shares of restricted stock. The value of unvested options was calculated by multiplying the number of shares underlying unvested options by \$33.42, the closing market price of our common stock on February 1, 2008 (the last trading day prior to February 2, 2008) and then deducting the aggregate exercise price for the options. The value of unvested shares of restricted stock was calculated by multiplying the number of shares of unvested restricted stock by \$33.42.

The following table describes the potential payments and benefits to each of the NEOs upon a change of control or potential change of control as if the change of control had occurred on February 2, 2008:

#### Potential Payments and Benefits Upon a Change of Control

Name	MIP Target Award	Estimated Total Value of Equity Acceleration(2)	Total Change of Control Benefits
Herbert J Zarkin	\$ 0	\$ 11,697,000	\$ 11,697,000
Frank D. Forward	\$ 135,000	\$ 2,082,600	\$ 2,217,600
Laura J. Sen	\$ 337,500	\$ 1,793,000	\$ 2,130,500
Thomas F. Gallagher	\$ 127,500	\$ 1,671,795	\$ 1,799,295
Lon F. Povich	\$ 112,500	\$ 1,180,570	\$ 1,293,070

(1) Mr. Zarkin will not participate in the MIP in 2008.

(2) Includes options and shares of restricted stock. The value of unvested options was calculated by multiplying the number of shares underlying unvested options by \$33.42, the closing market price of our common stock on February 1, 2008 (the last trading day prior to February 2, 2008) and then deducting the aggregate exercise price for the options. The value of unvested shares of restricted stock was calculated by multiplying the number of shares of unvested restricted stock by \$33.42.

The following table describes the potential additional payments and benefits upon an involuntary termination for each of the NEOs as if their employment was terminated following a change of control or potential change of control as of February 2, 2008:

#### Potential Additional Payments and Benefits Upon Termination Following a Change of Control

Name	Salary Continuation	Auto Allowance	Benefits Continuation	Total Additional Termination Benefits
Herbert J Zarkin	\$ 2,925,000	\$ 61,695	\$ 97,347	\$ 3,084,042
Frank D. Forward	\$ 1,350,000	\$ 46,122	\$ 48,111	\$ 1,444,233
Laura J. Sen	\$ 2,025,000	\$ 61,695	\$ 10,356	\$ 2,097,051
Thomas F. Gallagher	\$ 1,275,000	\$ 46,122	\$ 22,666	\$ 1,343,788
Lon F. Povich	\$ 1,125,000	\$ 46,122	\$ 44,136	\$ 1,215,258

#### Compensation Committee Interlocks and Insider Participation

During fiscal 2007, the Executive Compensation Committee consisted of Ronald R. Dion (until his death on November 30, 2007), S. James Coppersmith, Edmond J. English and Lorne R. Waxlax. None of the members of the ECC was at any time during fiscal 2007, or formerly, an officer or employee of the Company. None of the Company's executive officers has served as a director or member of the compensation committee (or other committee serving an equivalent function) of any other entity whose executive officers served as one of our directors or a

member of the ECC.

**Equity Compensation Plan Information**

The following table provides information about the securities authorized for issuance under the Company's equity compensation plans as of February 2, 2008:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	4,000,000	\$ 27.55	3,002,000(1)
Equity compensation plans not approved by security holders (2)			
<b>Total</b>	<b>4,000,000</b>	<b>\$ 27.55</b>	<b>3,002,000</b>

- (1) The number of securities remaining for future issuance consists of 3,002,000 shares issuable under the Company's 2007 Stock Incentive Plan, which was approved by the Company's shareholders. Awards under the 2007 Stock Incentive Plan may include restricted stock, unrestricted stock, stock appreciation rights, performance shares or other equity-based awards, as the Board of Directors may determine.
- (2) The Company has no equity compensation plans not approved by security holders.

**Indemnification Agreements**

The Company has entered into agreements with each of its directors and executive officers indemnifying them against expenses, settlements, judgments and fines incurred in connection with any threatened, pending or completed action, suit, arbitration or proceeding, where the individual's involvement is by reason of the fact that he or she is or was a director or officer of the Company or served at the Company's request as a director of another organization (except that indemnification is not provided against judgments and fines in a derivative suit unless permitted by Delaware law). An individual may not be indemnified if he or she is found not to have acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company, except to the extent Delaware law permits broader contractual indemnification. The indemnification agreements provide procedures, presumptions and remedies designed to substantially strengthen the indemnity rights beyond those provided by the Company's Amended and Restated Certificate of Incorporation and by Delaware law.



## PROPOSAL TWO

### APPROVAL OF THE 2008 AMENDED AND RESTATED MANAGEMENT INCENTIVE PLAN

Shareholders are being asked to approve the 2008 Amended and Restated Management Incentive Plan, which we refer to as the MIP. The MIP is intended to provide executive officers and other key employees of the Company, as selected by the ECC, with cash incentive awards based upon the attainment of annual performance goals. The MIP was first approved by shareholders in connection with the Company's spin-off from Waban Inc. in July 1997 and was re-approved by the shareholders in May 2003.

Section 162(m) of the Code generally prohibits a public company from taking a tax deduction for compensation over \$1,000,000 paid to its chief executive officer and each other officer whose compensation is required to be reported to its shareholders pursuant to the Exchange Act by reason of being among the four most highly compensated executive officers. We refer to such persons as the covered officers. Certain compensation, including qualified performance-based compensation is exempt from the Section 162(m) deduction limitation if certain requirements are satisfied. The Board of Directors is submitting the 2008 amended and restated MIP for shareholder approval, and has specifically conditioned continuation of the MIP with respect to awards to covered officers on such shareholder approval, in order to permit the Company to deduct performance-based executive compensation in excess of \$1,000,000, if any, paid to covered officers.

#### Summary of Proposed Changes

The material changes implemented by the 2008 amendment and restatement of the MIP are as follows:

Expanding the potential performance criteria upon which awards may be granted;

Increasing the maximum payout in a single calendar year to \$1,500,000 (from the lesser of \$1,000,000 or 100% of the participant's base salary under the current MIP);

Eliminating the ability to make discretionary awards under the MIP and making explicit the ECC's right to apply negative discretion to reduce awards;

Eliminating the committee consisting of members of management that previously made recommendations to the ECC under the MIP;

Amending the calculation of benefits upon, and revising the definition of, disability; and

Conforming the MIP to recent tax law changes and practices, including the time periods for payment and setting the performance criteria and the requirements of Section 162(m) and Section 409A of the Code, including the addition of a more limited definition of change of control that applies to awards when a deferral election is made.

#### Description of the MIP (as Proposed to Be Amended and Restated)

The following summary is qualified in its entirety by reference to the MIP, a copy of which is attached as *Appendix A* to this proxy statement.

Officers and other key employees, as designated by the ECC, are eligible to receive incentive cash awards under the MIP based upon the level of achievement of performance goals for the Company's fiscal year. Mr. Zarkin does not participate in the MIP with respect to fiscal 2008 and later years. All other executive officers, as well as 2996 other employees of the Company, currently participate in the MIP.

During the time period prescribed by Section 162(m) of the Code with respect to each annual performance period, the ECC establishes the MIP performance goals and corresponding target awards based on one or more of the following objective performance criteria and measurements: operating income, pre-tax income, net income,

gross profit dollars, costs, any of the preceding measures as a percent of sales, earnings per share, sales, net assets, return on assets or net assets, return on equity, return on investment, return on invested capital, cash flow, total shareholder return, gross margin, earnings before interest, taxes, depreciation and/or amortization and market share. Such goals, criteria and target awards may (i) be absolute or relative in their terms or measured against or in relationship to other companies or a market index, (ii) vary among participants and (iii) be particular to a participant or the department, branch, line of business, subsidiary or other unit in which the participant works.

Awards are based upon the level of achievement of the established performance goals. The ECC reviews the payout calculations after the year's financial results have been audited and certifies the amount of any awards to be paid. Awards are paid in cash as soon as practicable after the performance period, but no later than the last day of the calendar year in which occurs the end of the performance period, except to the extent deferred under the Company's General Deferred Compensation Plan. Achievement of all of the performance goals results in the payment of a participant's target award. Failure to achieve the performance goals results in a decrease or elimination of the participant's award. Exceeding the performance goals results in an award greater than the target award, up to the maximum award. The ECC may exercise its discretion to reduce an award.

No participant may receive a MIP award in excess of \$1,500,000 in any calendar year. Under the MIP, the ECC may not make any adjustments to the performance criteria to increase the incentive payment to executive officers subject to Section 162(m) of the Code, except to make appropriate adjustments in the event of certain specified types of transactions; provided that in no case shall any such adjustment be made if it would cause an award to no longer qualify as performance-based compensation under Section 162(m) of the Code.

The ECC has full power to administer and interpret the MIP and to establish rules for its administration. The ECC or the Company's Board of Directors may amend, suspend or terminate the MIP at any time.

MIP performance goals for fiscal 2008 for the Company's executive officers are based on the Company's sales and net income.

Although the total amounts to be paid under the MIP are not determinable at this time, the table below shows, the target, minimum and maximum bonus awards under the MIP in fiscal 2008 for the Company's NEOs and other groups set forth in the table below.

<u>Name and Position</u>	<u>Fiscal 2008 MIP Award</u>	
	<u>Target Award(1)</u>	<u>Minimum/Maximum(1)</u>
Herbert J Zarkin <i>Chairman of the Board and Chief Executive Officer</i>	N/A	N/A
Frank D. Forward <i>Executive Vice President and Chief Financial Officer</i>	\$ 135,000	\$ 0 / \$270,000
Laura J. Sen <i>President and Chief Operating Officer</i>	\$ 337,500	\$ 0 / \$675,000
Thomas F. Gallagher <i>Executive Vice President,</i>	\$ 127,500	\$ 0 / \$255,000

*Club Operations*

Name and Position	Fiscal 2008 MIP Award	
	Target Award(1)	Minimum/Maximum(1)
Lon F. Povich Executive Vice President, General Counsel and Secretary	\$ 112,500	\$ 0 / \$225,000
All current executive officers as group (6 persons)	\$ 930,000	\$ 0 / \$1,860,000
All current directors who are not executive officers as a group	\$ 0	\$ 0 / \$0
All employees, including all current officers who are not executive officers, as a group	\$ 15,605,209	\$ 0 / \$35,537,694

(1) Information is as of April 4, 2008. Awards are based on salary in effect as of such date and annualized over a 52 week period.

#### Certain Federal Income Tax Consequences

When a cash award is paid, the participant recognizes ordinary income equal to the amount paid, and the Company is entitled to a corresponding deduction, subject to the requirements of the Code. (See Reasons for Shareholder Approval below).

#### Reasons for Shareholder Approval

The MIP has been designed so that cash awards made under the MIP will qualify as performance-based compensation, and, accordingly, not be subject to the deduction limit imposed by Section 162(m) of the Code. However, in order to qualify as performance-based compensation, and thereby ensure the federal tax deductibility of all cash awards under the MIP, shareholder approval of the MIP at the annual meeting is required. If the shareholders do not vote to approve the continuation of the MIP, the Company will not grant any awards under the MIP to covered officers for performance periods beginning in fiscal 2009 or later.

#### Recommendation of the Board of Directors

The Board of Directors believes that the Company's future success depends, in large part, upon its ability to maintain a competitive position in attracting, retaining and motivating key employees and, consequently, believes the approval of the 2008 Amended and Restated MIP is in the Company's best interests and the best interests of its shareholders.

**ACCORDINGLY, THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS**

**A VOTE FOR THE APPROVAL OF THE 2008 AMENDED AND RESTATED MIP.**

**PROPOSAL THREE**

**APPROVAL OF THE 2008 AMENDED AND RESTATED GROWTH INCENTIVE PLAN**

Shareholders are being asked to approve the 2008 Amended and Restated Growth Incentive Plan, which we refer to as the GIP. The GIP is intended to provide management of the Company, as selected by the ECC, with cash awards based upon the growth and performance of the Company over a multi-year period. The GIP is designed to enhance the ability of the Company to attract and retain individuals of exceptional managerial talent upon whom the sustained progress, growth and profitability of the Company depends. The GIP was first approved by shareholders in connection with the Company's spin-off from Waban Inc. in July 1997 and was re-approved by the shareholders in May 2003.

Section 162(m) of the Code generally prohibits a public company from taking a tax deduction for compensation over \$1,000,000 paid to its covered officers. Certain compensation, including qualified performance-based compensation is exempt from the Section 162(m) deduction limitation if certain requirements are satisfied. The Board of Directors is submitting the 2008 Amended and Restated GIP for shareholder approval, and has specifically conditioned continuation of the GIP with respect to awards to covered officers on such shareholder approval, in order to permit the Company to deduct performance-based executive compensation in excess of \$1,000,000, if any, paid to covered officers.

**Summary of Proposed Changes**

The material changes implemented by the 2008 amendment and restatement of the GIP are as follows:

Expanding the potential performance criteria upon which awards may be granted;

Increasing the maximum payout in a single calendar year to \$2,500,000 (from \$2,000,000 under the current GIP);

Making explicit the ECC's right to apply negative discretion to reduce awards;

Clarifying the rules for payments upon termination due to, and the definitions of, death, disability and retirement;

Limiting the situations in which a corporate transaction will result in an acceleration of payments;

Providing that awards under the GIP may be deferred under the Company's General Deferred Compensation Plan;

Conforming the GIP to recent tax law changes and practices, including the time periods for payment and setting the performance criteria and the requirements of Section 162(m) and Section 409A of the Code, including the addition of a more limited definition of change of control that applies to awards when a deferral election is made; and

Conforming certain definitions and other provisions to those contained in the MIP.

**Description of the GIP (as Proposed to Be Amended and Restated)**

The following summary is qualified in its entirety by reference to the GIP, a copy of which is attached as *Appendix B* to this proxy statement.

Employees in management positions in the Company, as selected by the ECC, are eligible to receive cash awards under the GIP. Mr. Zarkin does not participate in the GIP. All other executive officers, as well as 50 other employees of the Company, currently participate in the GIP.

Each participant in the GIP is eligible to receive a cash award for each award period, which consists of a certain number of fiscal years. Each participant's cash award corresponds to the Company's level of performance or growth during such award period. Such growth is determined by and based upon one or more of the following objective measures of performance or growth, as selected by the ECC during the time period prescribed by Section 162(m) of the Code: operating income, pre-tax income, net income, gross profit dollars, costs, any of the preceding measures as a percent of sales, earnings per share, sales, net assets, return on assets or net assets, return on equity, return on investment, return on invested capital, cash flow, total shareholder return, gross margin, earnings before interest, taxes, depreciation and/or amortization and market share. Such goals, criteria and target awards may (i) be absolute or relative in their terms or measured against or in relationship to other companies or a market index, (ii) vary among participants and (iii) be particular to a participant or the department, branch, line of business, subsidiary or other unit in which the participant works.

Awards are based upon the level of achievement of the established performance goals. The ECC reviews the payout calculations after the financial results for the award period have been audited and certifies the amount of any awards to be paid. Awards are paid in cash as soon as practicable after the award period, but no later than the last day of the calendar year in which the end of the award period occurs, except to the extent deferred under the Company's General Deferred Compensation Plan. The ECC may exercise its discretion to reduce an award.

No participant may receive a GIP award in excess of \$2,500,000 in any calendar year. Under the GIP, the ECC may not make any adjustments to the performance criteria to increase the incentive payment to executive officers subject to Section 162(m) of the Code, except to make appropriate adjustments in the event of certain specified types of transactions; provided that in no case shall any such adjustment be made if it would cause an award to no longer qualify as performance-based compensation under Section 162(m) of the Code.

In the event of a change of control, GIP participants are entitled to a cash award based on the Company's performance for that portion of the award period immediately preceding the change of control.

The ECC has full power to administer and interpret the GIP and to establish rules for its administration. The ECC or the Company's Board of Directors may amend, suspend or terminate the GIP at any time.

The total amounts to be awarded under the GIP are not determinable at this time. Awards granted to the Company's executive officers in fiscal 2006 under the GIP are based on the cumulative net income for the Company for the three-year period ending January 31, 2009, contingent on employment continuing through January 31, 2009. Awards granted to the Company's executive officers in fiscal 2007 under the GIP are based on the cumulative net income for the Company for the three-year period ending January 31, 2010. See the section above entitled "Compensation Discussion and Analysis - BJS Compensation-Program-B. Compensation Elements - 5. BJS Growth Incentive Plan on pages 21-22.

No new awards are expected to be granted to the Company's executive officers under the GIP in fiscal 2008.

#### **Certain Federal Income Tax Consequences**

When a cash award is paid, the participant recognizes ordinary income equal to the amount paid, and the Company is entitled to a corresponding deduction, subject to the requirements of the Code discussed in "Reasons for Shareholder Approval" below.

#### **Reasons for Shareholder Approval**



The GIP has been designed so that cash awards made under the GIP will qualify as performance-based compensation, and, accordingly, not be subject to the deduction limit imposed by Section 162(m) of the Code. However, in order to qualify as performance-based compensation, and thereby ensure the federal tax deductibility of all cash awards under the GIP, shareholder approval of the GIP at the annual meeting is required.

If the shareholders do not vote to approve the continuation of the GIP, the Company will not grant future awards under the GIP to covered officers for award periods beginning in fiscal 2009 or later.

**Recommendation of the Board of Directors**

The Board of Directors believes that the Company's future success depends, in large part, upon its ability to maintain a competitive position in attracting, retaining and motivating management and, consequently, believes the approval of the 2008 Amended and Restated GIP is in the Company's best interests and the best interests of its shareholders.

**ACCORDINGLY, THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS**

**A VOTE FOR THE APPROVAL OF THE 2008 AMENDED AND RESTATED GIP.**

**PROPOSAL FOUR**

**RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal 2008. Although shareholder approval of the selection of PricewaterhouseCoopers LLP is not required by law, the Company's Board of Directors believes that it is advisable to give shareholders an opportunity to ratify this selection. If this proposal is not approved by the Company's shareholders at the annual meeting, the Audit Committee will reconsider its selection of PricewaterhouseCoopers LLP. Even if the selection of PricewaterhouseCoopers LLP is ratified, the Audit Committee, in its discretion, may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting. They will have the opportunity to make a statement if they desire to do so and will also be available to respond to appropriate questions from shareholders.

**THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2008**

**AUDIT COMMITTEE REPORT**

The Audit Committee consists of four directors, each of whom is independent as defined by the applicable standards of the NYSE. A description of the responsibilities of the Audit Committee is set forth above under the caption "The Board of Directors and its Committees - Audit Committee" on page 6.

The Audit Committee has reviewed and discussed the Company's audited financial statements for fiscal 2007 with the management of the Company. The Audit Committee has discussed with PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards 61 (Communication with Audit Committees), as amended, as adopted by the PCAOB. The Audit Committee also has received the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), as adopted by the PCAOB, and has discussed with PricewaterhouseCoopers LLP its independence from the Company. The Audit Committee also considered whether the independent registered public accounting firm's provision of the other, non-audit related services to the Company which are referred to in "All Other Fees" on page 51 is compatible with maintaining such firm's independence.

Based on the review and the discussions referred to above, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2008, for filing with the SEC.

By the Audit Committee of the Board of Directors of the Company

Thomas J. Shields, *Chair*

S. James Coppersmith

Paul Danos

Edmond J. English

---

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND OTHER MATTERS**
**Fees to Independent Registered Public Accounting Firm**

The following table presents the fees of PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, billed to the Company for each of the last two fiscal years.

	<b>Fiscal Year Ended</b>	
	<b>February 2, 2008</b>	<b>February 3, 2007</b>
Audit Fees(1)	\$ 1,591,115	\$ 1,726,761
Audit-Related Fees(2)	63,615	100,420
Tax Fees(3)	175,000	102,964
All Other Fees	0	0
<b>Total</b>	<b>\$ 1,829,730</b>	<b>\$ 1,930,145</b>

- 
- (1) Audit fees include the annual audit of the financial statements and Sarbanes-Oxley 404 attestations and reviews of the financial statements included in each of the Company's quarterly reports on Form 10-Q.
  - (2) Audit-related fees consisted principally of consultations concerning financial accounting and reporting standards as well as assurance and related services that are reasonably related to the performance of the audit and review of the Company's financial statements and which are not reported under Audit Fees. These services in 2007 and 2006 included audits of the BJ's Charitable Foundation and the Company's benefit plans.
  - (3) Tax fees consist of fees for tax compliance and tax advice and planning services. Tax compliance services, which relate to preparation of original and amended tax returns, claims for refunds and tax payment-planning services, accounted for \$38,000 of the total tax fees billed in fiscal 2007 and \$36,000 of the total tax fees billed in fiscal 2006. Tax advice and planning services relate to assistance with tax audits and appeals, and employee benefit plans and requests for rulings or technical advice from taxing authorities.

**Pre-approval Policies and Procedures**

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by the Company's independent registered public accounting firm. This policy generally provides that the Company will not engage its independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to one of the pre-approval procedures described below.

From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided to the Company by its independent registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

## Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

The Audit Committee has also delegated to the Chair of the Audit Committee the authority to approve any audit or non-audit services to be provided to the Company by its independent registered public accounting firm. Any approval of services by the Chair of the Audit Committee pursuant to this delegated authority is reported at the next meeting of the Audit Committee.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Company's directors and executive officers and persons who own more than ten percent of a registered class of the Company's equity securities to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Executive officers, directors and greater-than-ten-percent beneficial owners are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and written representations regarding the filing of required reports, all Section 16(a) filing requirements applicable to its directors, executive officers and greater-than-ten-percent beneficial owners with respect to fiscal 2007 were met.

## **SHAREHOLDER PROPOSALS**

Proposals of shareholders intended to be presented at the 2009 Annual Meeting of Shareholders, pursuant to Rule 14a-8 under the Exchange Act, must be received by the Company no later than 5:00 p.m., Eastern Time, on December 15, 2008, in order to be considered for inclusion in the Company's proxy materials for that meeting. The Company suggests that proponents submit their proposals via registered or certified mail addressed to Lon F. Povich, Secretary, BJS Wholesale Club, Inc., One Mercer Road, Natick, Massachusetts 01760.

The Company's by-laws require that the Company be given advance written notice of shareholder nominations for election to the Company's Board of Directors and of other matters which shareholders wish to present for action at an annual meeting of shareholders (other than matters included in the Company's proxy materials in accordance with Rule 14a-8 under the Exchange Act). The Secretary must receive such notice at the address noted above not less than 70 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting, provided, however, that in the event that the date of the annual meeting is advanced by more than 20 days, or delayed by more than 70 days, from such anniversary date, the Secretary must receive such notice not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 70th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such annual meeting is first made. Assuming that the 2009 Annual Meeting of Shareholders is held during the period from May 2, 2009 to July 31, 2009 (as it is expected to be), in order to comply with the time periods set forth in the Company's by-laws, appropriate notice would need to be provided to the Secretary of the Company at the address noted above no earlier than February 21, 2009, and no later than March 13, 2009. If a shareholder fails to provide timely notice of a proposal to be presented at the 2009 Annual Meeting of Shareholders, the proxies designated by the Board of Directors of the Company will have discretionary authority to vote on any such proposal which may come before the meeting.

The Company's by-laws also specify requirements relating to the content of the notice which shareholders must provide to the Secretary of the Company for any matter, including a shareholder nomination for director, to be properly presented at a shareholder meeting.

## **OTHER MATTERS**

The Board of Directors has no knowledge of any other matter which may come before the meeting and does not intend to present any such other matter. Pursuant to the Company's by-laws, the deadline for shareholders to notify the Company of any proposals or director nominations to be presented for action at the annual meeting has passed. However, if any other matters shall properly come before the meeting or any adjournment thereof, the persons named as proxies will have discretionary authority to vote the shares represented by the accompanying proxy in accordance with their own judgment.





**OTHER INFORMATION**

The Executive Compensation Committee Report on page 33, the Audit Committee Report on page 50 and the information regarding the Audit Committee's charter and the independence of Audit Committee members on page 6 shall not be deemed incorporated by reference by any general statement incorporating this proxy statement into any filing under the Securities Act of 1933, as amended or under the Exchange Act, except to the extent that the Company specifically incorporates such information by reference, and shall not otherwise be deemed filed under such Acts.

The cost of solicitation of proxies will be borne by the Company. The Company has retained Georgeson Shareholder Communications Inc. to assist in soliciting proxies by mail, e-mail, telephone and personal interview for a fee of \$7,000, plus expenses. Officers and employees of the Company may, without additional remuneration, also assist in soliciting proxies in the same manner. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting materials to the owners of stock held in their names, and the Company will reimburse them for their reasonable out-of-pocket expenses incurred in connection with the distribution of proxy materials.

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of this proxy statement or the Company's Annual Report for the fiscal year ended February 2, 2008 may have been sent to multiple shareholders in each household. The Company will promptly deliver a separate copy of either document to any shareholder upon written or oral request to the Investor Relations Department of the Company, BJ's Wholesale Club, Inc., One Mercer Road, Natick, Massachusetts 01760, telephone: (508) 651-6650. Any shareholder who wants to receive separate copies of future proxy statements or annual reports, or any shareholder who is receiving multiple copies and would like to receive only one copy per household, should contact the shareholder's bank, broker, or other nominee record holder, or the shareholder may contact the Company at the above address and phone number.

By Order of the Board of Directors

/s/  
Lon F. Povich  
*Secretary*

April 14, 2008

**BJ'S WHOLESALE CLUB, INC.**

**MANAGEMENT INCENTIVE PLAN**

2008 Amendment and Restatement

**1. Purpose**

The purpose of the BJ's Wholesale Club, Inc. Management Incentive Plan (the "Plan") is to provide officers and other employees who are key to the growth and profitability of BJ's Wholesale Club, Inc. and its subsidiaries with reward opportunities commensurate with performance relative to annual objectives.

**2. Definitions**

Unless the context requires otherwise, the following expressions as used in the Plan shall have the meanings ascribed to each below, it being understood that masculine, feminine and neuter pronouns are used interchangeably, and that each comprehends the others.

**Board** shall mean the Board of Directors of BJ's Wholesale Club, Inc.

**Code** shall mean the Internal Revenue Code of 1986, as amended.

**Company** shall mean BJ's Wholesale Club, Inc. and its subsidiaries.

**Covered Employee** shall mean any person who is, or who the ECC, in its discretion, determines may be, a covered employee under Section 162(m)(3) of the Code.

**ECC** shall mean the Executive Compensation Committee of the Board.

**Effective Date** of this Amendment and Restatement shall mean February 3, 2008.

## Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

**Fiscal Year** shall mean the period ending on the Saturday closest to January 31 in each year.

**Participant** shall mean an officer or other employee of the Company who is designated a participant pursuant to Section 4 below.

**Performance Criteria** shall mean the standards of measurement of Company performance and individual performance for each Performance Period as established by the ECC pursuant to paragraph (a) of Section 5 below.

**Performance Goals** shall mean the levels of performance with respect to each Performance Criterion at which awards are payable pursuant to this Plan. Performance goals are established by the ECC pursuant to paragraph (b) of Section 5 below.

**Performance Period** shall mean a part or all of a Fiscal Year as determined by the ECC, provided that if a Participant has made a deferral election pursuant to Section 8, a Performance Period shall consist of at least 12 consecutive months unless such election was made on or before the last day of the calendar year that ends prior to the beginning of the Performance Period to which the election relates or such election is made within 30 days after the Participant first becomes eligible to participate in the Plan.

A-1

### **3. Administration**

This Plan shall be administered by the ECC. The ECC shall have full authority to interpret the Plan; to establish, amend, and rescind rules for carrying out the Plan; to administer the Plan; to determine the terms and provisions of any agreements pertaining to the Plan; and to make all other determinations necessary or advisable for its administration.

Any person objecting to any interpretation, rule, determination or other action made or taken by the ECC which affects said person shall have the right to appeal in writing to the Company, setting forth the objections in reasonable detail, provided that such appeal shall be made within 90 days after promulgation of such interpretation, rule, or other determination, or such additional time as the Company shall deem reasonable.

The ECC shall not be bound to any standards of uniformity or similarity of action, interpretation or conduct in the discharge of its duties hereunder, regardless of the apparent similarity of the matters coming before the ECC. Its determination shall be binding on all parties.

Neither the Company nor any member or former member of the ECC or the Board shall be liable for any action or determination made in good faith with respect to the Plan or any award or payment made under the Plan.

### **4. Eligibility**

For each Performance Period, the ECC shall designate Participants to receive annual management incentive awards, subject to the terms and conditions of the Plan. Participants in the Plan shall be key employees of the Company, including such executives and other employees of the Company as the ECC shall, at any time, designate as Participants for said Performance Period.

### **5. Description of Awards**

(a) *Designation of Performance Criteria.* During the time period prescribed by Section 162(m) of the Code with respect to a Performance Period (the Grant Period) and in compliance with Section 162(m) of the Code, the ECC shall determine one or more Performance Criteria for said Performance Period and the relative weight to be given to each Performance Criterion. Performance Criteria and the weighting thereof may vary by Participant and may be different for different Performance Periods. Such Performance Criteria shall include only the following measures: operating income, pre-tax income, net income, gross profit dollars, costs, any of the preceding measures as a percent of sales, earnings per share, sales, net assets, return on assets or net assets, return on equity, return on investment, return on invested capital, cash flow, total shareholder return, gross margin, earnings before interest, taxes, depreciation and/or amortization and market share. Such performance criteria may be absolute or relative in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated, or a market index.

(b) *Performance Goals.* During the Grant Period with respect to a Performance Period, the ECC shall establish a range of Performance Goals from minimum to target to maximum for each Performance Criterion for said Performance Period. Performance Goals may vary by Participant, may be different for different Performance Periods and may be particular to a Participant or the department, branch, line of business, subsidiary or other unit in which the Participant works.

At any time designated by the ECC prior to award payment, appropriate adjustments in the Performance Goals may be made to avoid undue windfalls or hardships due to external conditions outside the control of management, nonrecurring or abnormal items, changes in accounting

practices or such other matters as the ECC shall, in its sole discretion, determine, subject to paragraph (d) below.

A-2

(c) *Award Opportunity*. During the Grant Period with respect to a Performance Period, the ECC shall assign to each Participant the minimum, target, and maximum award opportunities to be earned for said Performance Period based upon the Participant's position and ability to impact annual performance relative to goals during the Performance Period. Award opportunity may be expressed as a fixed amount or as a percentage of the Participant's base salary earned for the Performance Period. No individual award opportunity in any calendar year shall exceed \$1,500,000.

(d) *Adjustments to Performance Goals for Certain Officers*. The ECC shall make no adjustments to the Performance Goals whose effect is to increase the incentive payment to a Covered Employee, except for the following:

(1) Events classified as extraordinary items or discontinued operations or presented as special nonrecurring charges (or income) in accordance with generally accepted accounting principles.

(2) Disposal of a business segment or a group of two or more warehouse stores, a major administrative unit, or major assets, if quantified and disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company's Annual Report on Form 10-K.

(3) Conversion of convertible bonds or preferred stock convertible into common stock; a repurchase by the Company of outstanding shares of stock, if such a repurchase has a material impact on the performance that is being measured; or an increase in the number of shares of common stock for earnings per share calculation purposes due to a new equity or convertible debenture offering, but not by the exercise of awards under the Company's 2007 Stock Incentive Plan or any similar plan.

(4) Balance sheet recapitalization or restructuring that materially alters the allocation between debt and equity for the Company.

(5) Changes in accounting practice to comply with new legislation or with rules promulgated by the Securities and Exchange Commission, the Financial Accounting Standards Board, the Public Company Accounting Oversight Board or any similar or successor entity and changes in tax laws that affect tax rates, credits, or the definition of taxable income, if material.

(6) Unusual and material losses beyond the Company's control, such as acts of God (*e.g.*, earthquake or widespread hurricane damage).

(7) Reserves for future period events which will not occur until after the performance measurement period.

(8) Adjustments attributable to prior periods in the case of a newly acquired business.

(9) Adjustments of goals made immediately after completion of the audit of the Company's financial statements for the fiscal year immediately preceding the Performance Period, made solely to true-up amounts that were based on estimated results for said preceding year.

(10) Gains and losses from sales of a minority interest in a subsidiary.

(11) Net incremental expense incurred by the Company as a result of opening new warehouse stores in excess of the number incorporated in the Performance Goals. The amount of the adjustment shall be equal to the average operating loss incurred by new warehouse stores opened by the Company in the same fiscal year.

In no event, however, shall the ECC make any adjustment which would cause incentive awards not to qualify as performance-based compensation under Section 162(m) of the Code. In those cases where a Participant has made an election pursuant to Section 8 to defer the payment of an incentive award, the ECC shall not make any adjustment to the award that would cause such payment not to qualify as performance-based compensation under Section 409A of the Code and the regulations thereunder, provided that this limitation shall not apply if such election was made on or before the last day of the calendar year that ends prior to the beginning of the Performance Period to which the election relates or if such election is made within 30 days after the Participant first becomes eligible to participate in the Plan.

**6. Determination of Awards**

(a) Upon completion of each Performance Period and certification of the Company's financial statements by the Company's independent registered public accounting firm for the Fiscal Year included in such Performance Period, the ECC will review performance relative to Performance Goals, as adjusted from time to time in accordance with paragraph (b) of Section 5 above, and certify the value of the awards for each Performance Period.

Achievement of all Performance Goals will result in payment of a Participant's target award. Failure to achieve Performance Goals will result in a decrease or elimination of the Participant's award. Exceeding performance goals will result in an award greater than the target award but not greater than the maximum award. Notwithstanding the foregoing, the ECC in its discretion may reduce the amount payable under an incentive award.

(b) If an employee becomes a Participant after the beginning of an existing Performance Period, an award may be made for such Participant for a separate Performance Period designated by the ECC.

(c) Except as otherwise provided in an employment agreement, in the event of termination of employment of a Participant for any reason prior to the last day of the Performance Period, a Participant shall have no further rights under the Plan thereafter and shall not be entitled to payment of any award.

If termination of employment occurs (i) by reason of death, (ii) due to normal retirement on or after age 65, or (iii) due to early retirement on or after age 55 with the consent of the Company, the ECC may, in its sole discretion, direct that some portion of the award that would otherwise have been paid to the Participant based on performance relative to the Performance Goals shall be paid, taking into account the duration of employment during the Performance Period, the Participant's performance, and such other matters as the ECC shall deem appropriate.

In the event of termination of employment for cause, as defined and determined by the ECC in its sole discretion, no payment shall be made with regard to any prior or current Performance Period.

(d) If a Participant shall be actively employed less than a full Performance Period because of an accident or illness and receives short-term disability or long-term disability payments or any combination thereof during the portion of the Performance Period the participant was not actively employed, said Participant shall receive that portion of her or his incentive award, if any, for said Performance Period determined by multiplying the award that would otherwise have been paid to the Participant for such Performance Period based on performance relative to the Performance Goals by a fraction, the numerator of which is the number of days of such Participant's active employment during the Performance Period and the denominator of which is the total number of days in the Performance Period. The time during which a Participant receives sick leave, short-term income protection and/or vacation payments shall be deemed active employment time. Time during which a Participant receives short-term disability and/or long-term disability payments shall not be deemed active employment time. For purposes of this Section 6(d), if a Participant has elected to defer a payment attributable to an award pursuant to Section 8, the term, "disability," as applied to such payment, shall mean any medically determinable physical or mental impairment resulting in a Participant's inability to perform the duties of his or her position or any substantially similar position where such impairment can be expected to last for a continuous period of not less than six months. The preceding sentence shall not apply if the Participant's deferral election was made on or before the last day of the calendar year that ends prior to the beginning of the Performance Period to which the election relates or if such election is made within 30 days after the Participant first becomes eligible to participate in the Plan.



**7. *Payment of Awards***

As soon as practicable after valuation of the award for each Performance Period, but no later than the last day of the calendar year in which occurs the end of the Performance Period, payment will be made in cash with respect to the award earned by each Participant.

**8. *Deferral of Awards***

Participants who are designated by the ECC as being eligible to participate in the Company's General Deferred Compensation Plan may elect to defer all or a portion of their awards in accordance with the terms of such General Deferred Compensation Plan. Notwithstanding anything to the contrary, if a Participant makes such an election, then for purposes of Section 13, Annex A shall not apply, and the term, "Change of Control," shall have the meaning given in Annex B.

**9. *Designation of Beneficiary***

(a) Subject to applicable law, each Participant shall have the right to file with the Company a written designation of one or more persons as beneficiary(ies) who shall be entitled to receive the amount, if any, payable under the Plan upon the Participant's death. A Participant may from time to time revoke or change the beneficiary by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, change, or revocation thereof shall be effective unless received by the Company prior to the Participant's death, and in no event shall it be effective as of a date prior to receipt.

(b) If no such beneficiary designation is in effect at the time of a Participant's death, if no designated beneficiary survives the Participant, or if such designation conflicts with law, the amount payable under the Plan upon the Participant's death shall be made to the Participant's estate. If the Company is in doubt as to the right of any person to receive any amount, the Company may retain such amount, without liability for any interest thereon, until the rights thereto are determined, or the Company may pay such amount into any court of appropriate jurisdiction, and such payment shall be a complete discharge of the liability of the Plan, the Company, the ECC and the Board therefor.

**10. *Notices***

Each Participant whose employment relationship with the Company has terminated, either voluntarily or involuntarily, shall be responsible for furnishing the Company with the current and proper address for mailing of notices and the delivery of agreements and payments. Any notice required or permitted to be given shall be deemed given if directed to the person to whom addressed at such address and mailed by regular United States mail, first-class and prepaid. If any item mailed to such address is returned undeliverable to the addressee, mailing will be suspended until the Participant furnishes the proper address.

**11. *Rights of Participants***

Nothing contained in the Plan and no action taken pursuant to the Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant or such Participant's legal representative or designated beneficiary, or other persons.

If and to the extent that any Participant or his legal representative or designated beneficiary, as the case may be, acquires a right to receive any payment from the Company pursuant to the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company.

A-5

**12. *No Employment Rights***

Nothing in the Plan or any other document describing or referring to the Plan shall be deemed to confer on any Participant the right to continue in the employ of the Company or affect the right of the Company to terminate the employment of any such person with or without cause.

**13. *Certain Payments Upon a Change of Control***

If, upon a Change of Control (as defined in *Annex A* hereto) of the Company, amounts payable or that would or might be payable in respect of an individual under the Plan instead are paid to such individual or such individual's estate or beneficiary pursuant to any change of control severance plan or agreement, or any similar plan, agreement or arrangement to which the Company is a party, payments in respect of such individual hereunder shall be reduced pro tanto.

**14. *Nonalienation of Awards***

No amounts payable or other rights under the Plan shall be sold, transferred, assigned, pledged, or otherwise disposed of or encumbered by a Participant, except as provided herein, nor shall they be subject to attachment, garnishment, execution, or other creditor's processes.

**15. *Withholding Taxes***

The Company shall have the right to deduct withholding taxes from any payments made pursuant to the Plan, or make such other provisions as it deems necessary or appropriate to satisfy its obligations for withholding federal, state, or local income or other taxes from payments to the Participant.

**16. *Termination, Amendment, and Modification***

The ECC or the Board may from time to time amend, modify, or discontinue the Plan or any provision hereof; provided that if shareholder approval of such action is required or the awards will not continue to qualify as performance-based compensation under Section 162(m) of the Code, then such action will not be effective until such approval is obtained. No amendment to, or discontinuance or termination of, the Plan shall, without the written consent of the Participant, adversely affect any rights of such Participant that have vested. This Plan shall continue until terminated by the ECC or the Board.

**17. *Headings and Captions***

The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

**18. *Controlling Law***

This Plan shall be construed and enforced according to the laws of the Commonwealth of Massachusetts, to the extent not preempted by Federal law, which shall otherwise control.

**19. *Miscellaneous Provisions***

(a) All costs and expenses involved in administering the Plan as provided herein, or incident thereto, shall be borne by the Company,

(b) If any Participant shall also participate in other annual incentive plans of the Company, the ECC shall determine the amount, if any, by which such Participant's award under the Plan shall be adjusted, so as to coordinate the benefits under the Plan with the other plans.

(c) The ECC may, in its sole discretion, reduce or eliminate awards granted or money payable to any Participant or all Participants if it determines that such awards or payments may cause the Company to violate any applicable law, regulation, controls, or guidelines. Such reduction or elimination may be made notwithstanding that the possible violation might be eliminated by reducing or not increasing compensation or benefits of other associates, it being the intent of the Plan not to inhibit the discretion of the Company to provide such forms and amounts of compensation and benefits to employees as it deems advisable.

(d) Notwithstanding any provision of this Plan to the contrary, if the Participant is a specified employee within the meaning of Section 409A of the Code, and if any payment hereunder is subject to the rule under Section 409A(a)(2)(B)(i) of the Code, then such payment shall be delayed until the date that is six months and one day after the Participant has a separation from service as defined in Section 409A of the Code. Unless otherwise determined by the Board, a Participant is a specified employee for each 12-month period that begins on April 1 if the Participant has met any of the following requirements at any time during the calendar year (based on the total compensation reported on the Participant's Form W-2 for such calendar year) that precedes such April 1:

(i) The Participant was an officer of the Company having annual compensation from the Company greater than \$130,000, as annually adjusted pursuant to Section 416(i)(A) of the Code,

(ii) The Participant was a person owning (or considered as owning within the meaning of Section 318 of the Code) more than 5% of the outstanding stock of the Company or stock possessing more than 5% of the total combined voting power of all the stock of the Company, or

(iii) The Participant was a person having annual compensation from the Company greater than \$150,000 who would be described in clause (ii) if 1% were substituted for 5% each place it appears in such clause.

The identification of a specified employee shall be made by applying the regulations issued by the Internal Revenue Service under Sections 409A and 416 of the Code, disregarding Section 416(i)(5) of the Code.

ANNEX A

**DEFINITION OF CHANGE OF CONTROL**

For the purposes of this Plan, a Change of Control shall mean:

(a) The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the Exchange Act )) (a Person ) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then-outstanding shares of common stock of the Company (the Outstanding Company Common Stock ) or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the

Outstanding Company Voting Securities ); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (iv) any acquisition by any corporation pursuant to a transaction which satisfies the criteria set forth in clauses (i), (ii) and (iii) of subsection (c) of this definition; or

(b) Individuals who, as of the date hereof, constitute the Board (the Incumbent Board ) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequently to the date hereof whose election, or nomination for election by the Company s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board (except that this proviso shall not apply to any individual whose initial assumption of office as a director occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board); or

(c) Consummation of a reorganization, merger or consolidation involving the Company or a sale or other disposition of all or substantially all of the assets of the Company (a Business Combination ), in each case, unless, immediately following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, of the corporation resulting from such Business Combination (which as used in section (c) of this definition shall include, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation and (iii) at least half of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

**ANNEX B**

**DEFINITION OF CHANGE OF CONTROL**

**FOR PURPOSES OF DEFERRAL ELECTIONS UNDER SECTION 8**

(a) For purposes of this Plan, when this Annex B applies, **Change of Control** shall mean the occurrence of any one of the following events:

(i) *Change in Ownership.* The acquisition of ownership of the Company's stock by any one person or group that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of such stock, provided that stock in the Company remains outstanding after any such transaction, and further provided that if a person or group owns (or is treated under the Code as owning) more than 50% of the total fair market value or total voting power of such stock, the acquisition of additional stock in the Company by such person or group will not result in a Change of Control. For purposes of the preceding sentence, an increase in the percentage of Company stock owned by any person or group as a result of a transaction in which the Company acquires its stock in exchange for property will be treated as an acquisition of Company stock.

(ii) *Change in Effective Control.* Either of the following transactions:

(A) The acquisition of ownership of the Company's stock possessing 30% or more of the total voting power of all Company stock by any one person or group during the 12-month period ending on the date of the most recent acquisition of Company stock by such person or group; or

(B) The replacement of more than 50% of the Company's Board of Directors during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of such board as constituted before the date of the appointment or election.

(iii) *Change in Ownership of Company Assets.* The acquisition of 40% or more of the total gross fair market value of the Company's assets by any one person or group during the 12-month period ending on the date of the most recent acquisition of assets of the Company by such person or group. For purposes of the preceding sentence, **gross fair market value** means the value of the Company's assets or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets, and the total gross fair market value of all of the Company's assets is determined immediately before the 12-month period. Notwithstanding anything to the contrary, a Change of Control resulting from a transfer of Company assets will not occur if the assets are transferred to:

(A) A shareholder of the Company immediately before such transfer in exchange for or with respect to Company stock;

(B) An entity 50% or more of the total value or voting power of which is owned immediately after the transfer of the assets, directly or indirectly, by the Company;

## Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

(C) A person or group that owns immediately after the transfer of the assets, directly or indirectly, 50% or more of the total value or voting power of all of the outstanding stock of the Company, or an entity, at least 50% of the total value or voting power of which is owned immediately after the transfer of the assets, directly or indirectly, by such person or group.

(b) *Definition of Group.* For purposes of determining whether a Change of Control has occurred, the term, group, as used in subsection (a) of this Exhibit, includes persons that are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. Persons will not be considered to be acting as a group solely because they purchase or own stock of the same corporation at the same time, or as a result of the same public offering.

(c) *Interpretation.* The definition of Change of Control in this Exhibit is intended to be in conformity with the requirements of Section 409A of the Code and regulations issued, and any interpretation of such definition is to be guided by this objective.



**BJ s WHOLESALE CLUB, INC.**

**GROWTH INCENTIVE PLAN**

**2008 AMENDMENT AND RESTATEMENT**

WHEREAS, the Participants are in management positions in the Company or its subsidiaries and are key to the long-term success of the Company;

WHEREAS, the Company desires to provide an incentive to focus the Participants' attention and efforts on long-term growth and profitability;

NOW THEREFORE, the Company hereby adopts the Plan, as hereinafter set forth, effective as of the Effective Date.

ARTICLE 1

DEFINITIONS

The following terms as used in the Plan shall have the following meanings:

**Award Period** shall mean a period of a certain number of consecutive fiscal years (or portions thereof), as determined by the ECC in its discretion. Award Periods may overlap and employees may participate simultaneously with respect to more than one Award Period. Notwithstanding the preceding sentence, in those cases where a Participant has made an election pursuant to Article 11 to defer the payment of Incentive Units, an Award Period shall consist of at least 12 consecutive months unless such election was made on or before the last day of the calendar year that ends prior to the beginning of the Award Period to which the election relates or such election is made within 30 days after the Participant first becomes eligible to participate in the Plan.

**Board** shall mean the Board of Directors of BJ s Wholesale Club, Inc.

**Code** shall mean the Internal Revenue Code of 1986, as amended.

## Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

Company shall mean BJS Wholesale Club, Inc. and its subsidiaries.

Covered Employee shall mean any person who is, or who the ECC, in its discretion, determines may be, a covered employee under Section 162(m)(3) of the Code.

ECC shall mean the Executive Compensation Committee of the Board.

Effective Date of this Amendment and Restatement shall mean February 3, 2008.

Incentive Measurement shall mean any one or combination of the following objective measures of performance or growth, as the ECC shall determine: operating income, pre-tax income, net income, gross profit dollars, costs, any of the preceding measures as a percent of sales, earnings per share, sales, net assets, return on assets or net assets, return on equity, return on investment, return on invested capital, cash flow, total shareholder return, gross margin, earnings before interest, taxes, depreciation and/or amortization and market share. Such performance criteria may be absolute or relative in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated, or a market index.

Incentive Unit shall mean an incentive unit granted to each Participant, the value of which equals a certain percentage of the growth in the Incentive Measurement achieved over the Award Period, as determined by the ECC.

Participant shall mean an employee in a management position in the Company who is selected by the ECC, in its discretion, to be a participant in the Plan.

Plan shall mean the BJS Wholesale Club, Inc. Growth Incentive Plan, as herein set forth, including any and all amendments hereto and restatements hereof.

## ARTICLE 2

### BENEFITS UNDER THE PLAN

#### 2.1 *Granting of Awards.*

(a) *The Grant.* During the time period prescribed by Section 162(m) of the Code with respect to an Award Period (the Grant Period) and in compliance with Section 162(m) of the Code, the ECC shall determine (i) which employees shall be Participants in the Plan, (ii) the amount of Incentive Units to be granted to each Participant, and (iii) the method or formula for determining the value of each Incentive Unit, based on the Incentive Measurement. The number of Incentive Units and the Incentive Measurement may vary by Participant, may be different for different Award Periods and may be particular to a Participant or the department, branch, line of business, subsidiary or other unit in which the Participant works.

(b) *Payment Date.* During the Grant Period relating to an Award Period, the ECC shall determine the date on or about which payment in respect of Incentive Units shall be made; provided that such payment date shall occur at some time within the calendar year in which occurs the end of the Award Period.

2.2 *Value of Incentive Units.* During the Grant Period relating to an Award Period, the ECC shall determine (i) the factor(s) comprising the Incentive Measurement, and (ii) the Incentive Measurement's base value, *i.e.*, the value against which growth shall be measured. Notwithstanding the prior sentence, the Incentive Measurement's base value may be appropriately adjusted by the ECC, pursuant to Section 2.5(i) hereof, after the certification of the Company's financial statements by the Company's independent public accountant for the fiscal year immediately preceding the commencement of the Award Period. In the ECC's discretion, Incentive Measurements may vary with respect to Incentive Unit grants made to individual Participants or groups of Participants.

2.3 *Award Opportunity.* Upon the completion of each Award Period and the certification of the Company's financial statements by the Company's independent registered public accounting firm for the last fiscal year in said Award Period, the ECC shall cause to be revalued the Incentive Measurement in order to determine the growth over the Incentive Measurement's base value and shall certify the value of each Incentive Unit. Notwithstanding anything to the contrary herein contained or implied, the ECC may make appropriate adjustments to the value of the Incentive Measurement to avoid undue windfalls or hardships due to external conditions outside the control of management, nonrecurring or abnormal items, changes in accounting practices, or such other matters as the ECC, in its discretion, shall determine; however, the ECC shall make no adjustments to the performance criteria whose effect is to increase the growth incentive payment to a Covered Employee, except as provided in Section 2.5 hereof. Notwithstanding anything to the contrary contained herein or implied, the ECC in its discretion may reduce the amount payable under an incentive award.

#### *Payment of Awards.*

2.4 (a) *Employees on Last Day of Award Period.* Participants employed by the Company on the last day of the Award Period shall be entitled to receive payment as soon as practicable thereafter, but no later than the last day of the calendar year in which occurs the last day of the Award Period. Notwithstanding anything to the contrary herein contained or implied, in no event shall a Participant's incentive payment for an Award Period exceed \$2,500,000 in any calendar year.

B-2

(b) *Termination of Employment in the Event of Death, Disability or Retirement.* If the termination of employment of a Participant occurs before the end of an Award Period due to: (i) death, (ii) disability (as defined under the Company's long-term disability plan), (iii) early retirement with the consent of the Company on or after the attainment of age fifty-five (55) (early retirement) or (iv) retirement on or after the attainment of age 65 (normal retirement) the Participant shall be entitled, as set forth in this paragraph, to pro-rated payment in respect of Incentive Units, determined as of the end of the fiscal year in which the Participant's termination of employment due to death, disability, early retirement or normal retirement occurs. Such payment shall only be made with respect to the Award Period that ends at the end of the fiscal year in which such death, disability, early retirement or normal retirement occurs. Such payment shall be made as soon as practicable following the end of the fiscal year in which termination of employment has occurred, but no later than the last day of the calendar year in which occurs the end of such fiscal year. No payment shall be made with respect to any other Award Period. For purposes of this Section 2.4(b), if a Participant has elected to defer a payment attributable to Incentive Units pursuant to Article 11, the term, "disability," as applied to such payment, shall be determined without reference to the Company's long-term disability plan and shall mean any medically determinable physical or mental impairment resulting in a Participant's inability to perform the duties of his or her position or any substantially similar position where such impairment can be expected to last for a continuous period of not less than six months. The preceding sentence shall not apply if the Participant's deferral election was made on or before the last day of the calendar year that ends prior to the beginning of the Award Period to which the election relates or if such election is made within 30 days after the Participant first becomes eligible to participate in the Plan.

(c) *Termination of Employment for Any Reason Other than Death, Disability or Retirement.* Except as otherwise provided in Article 6 of the Plan or in an employment agreement, in the event of the Participant's termination of employment for any reason other than death, disability, early retirement or normal retirement prior to the end of the Award Period, the Participant shall have no rights under the Plan and shall not be entitled to receive payment with respect to any Incentive Unit.

(d) *Section 409A Compliance.* If the Participant is a "specified employee" within the meaning of Section 409A of the Code, and if any payment hereunder is subject to the rule under Section 409A(a)(2)(B)(i) of the Code, then such payment shall be delayed until the date that is six months and one day after the Participant has a "separation from service" as defined in Section 409A of the Code. Unless otherwise determined by the Board, a Participant is a specified employee for each 12-month period that begins on April 1 if the Participant has met any of the following requirements at any time during the calendar year (based on the total compensation reported on the Participant's Form W-2 for such calendar year) that precedes such April 1:

(i) The Participant was an officer of the Company having annual compensation from the Company greater than \$130,000, as annually adjusted pursuant to Section 416(i)(A) of the Code,

(ii) The Participant was a person owning (or considered as owning within the meaning of Section 318 of the Code) more than 5% of the outstanding stock of the Company or stock possessing more than 5% of the total combined voting power of all the stock of the Company, or

(iii) The Participant was a person having annual compensation from the Company greater than \$150,000 who would be described in clause (ii) if "1%" were substituted for "5%" each place it appears in such clause.

The identification of a specified employee shall be made by applying regulations issued by the Internal Revenue Service under Sections 409A and 416 of the Code, disregarding Section 416(i)(5) of the Code.

*2.5 Restrictions on Adjustments to Incentive Measurement.* The ECC shall make no adjustments to the Incentive Measurement whose effect is to increase the growth incentive payment to any Covered Employee, except for the following:

(a) Events classified as extraordinary items or discontinued operations or presented as special nonrecurring charges (or income) in accordance with generally accepted accounting principles.

B-3

- (b) Disposal of a business segment or a group of two or more warehouse stores, a major administrative unit, or major assets, if quantified and disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company's Annual Report on Form 10-K.
- (c) Conversion of convertible bonds or preferred stock convertible into common stock; a repurchase by the Company of outstanding shares of stock, if such a repurchase has a material impact on the Incentive Measurement; or an increase in the number of shares of common stock for earnings per share calculation purposes due to a new equity or convertible debenture offering, but not by the exercise of awards under the Company's 2007 Stock Incentive Plan or any similar plan.
- (d) Balance sheet recapitalization or restructuring that materially alters the allocation between debt and equity for the Company.
- (e) Changes in accounting practice to comply with new legislation or with rules promulgated by the Securities and Exchange Commission, the Financial Accounting Standards Board, the Public Company Accounting Oversight Board or any similar or successor entity and changes in tax laws that affect tax rates, credits, or the definition of taxable income, if material.
- (f) Unusual and material losses beyond the Company's control, such as acts of God (*e.g.*, earthquake or widespread hurricane damage).
- (g) Reserves for future period events which will not occur until after the performance measurement period.
- (h) Adjustments attributable to prior periods in the case of a newly acquired business.
- (i) Adjustments of the Incentive Measurement's base value made immediately after completion of the audit of the Company's financial statements for the fiscal year immediately preceding the Award Period, made solely to true-up amounts that were based on estimated results for said preceding year.
- (j) Gains and losses from sales of a minority interest in a subsidiary.
- (k) Net incremental expense incurred by the Company as a result of opening new warehouse stores in excess of the number incorporated in the Incentive Measurement. The amount of the adjustment shall be equal to the average operating loss incurred by new warehouse stores opened by the Company in the same fiscal year.

In no event, however, shall the ECC make any adjustment which would cause incentive awards not to qualify as performance-based compensation under Section 162(m) of the Code. In those cases where a Participant has made an election pursuant to Article 11 to defer the payment of Incentive Units, the ECC shall not make any adjustment to an incentive award that would cause such award not to qualify as performance-based compensation under Section 409A of the Code and the regulations thereunder, provided that this limitation shall not apply if such election was made on or before the last day of the calendar year that ends prior to the beginning of the Award Period to which the election relates or if such election is made within 30 days after the Participant first becomes eligible to participate in the Plan.

ARTICLE 3

DESIGNATION OF BENEFICIARY

Subject to applicable law, each Participant shall have the right to file with the Company a written designation of one or more persons as beneficiary(ies) who shall be entitled to receive the amount, if any, payable under the Plan upon the Participant's death. A Participant may from time to time revoke or change the beneficiary by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, change, or revocation thereof shall be effective unless received by the Company prior to the Participant's death, and in no event shall it be effective as of a date prior to receipt.

B-4



If no such beneficiary designation is in effect at the time of a Participant's death, if no designated beneficiary survives the Participant, or if such designation conflicts with law, the amount payable under the Plan upon the Participant's death shall be made to the Participant's estate. If the Company is in doubt as to the right of any person to receive any amount, the Company may retain such amount, without liability for any interest thereon, until the rights thereto are determined, or the Company may pay such amount into any court of appropriate jurisdiction, and such payment shall be a complete discharge of the liability of the Plan, the Company, the ECC and the Board therefor.

#### ARTICLE 4

##### PLAN ADMINISTRATION AND INDEMNIFICATION

4.1 *Plan Administration.* The Plan shall be administered by the ECC. The ECC shall have full authority to interpret the Plan; to establish, amend, and rescind rules for carrying out the Plan; to interpret the terms and provisions of the Plan; and to make all other determinations necessary or advisable for its administration. Any person objecting to any interpretation, rule, determination or other action made or taken by the ECC which affects said person shall have the right to appeal in writing to the Company, setting forth the objections in reasonable detail, provided that such appeal shall be made within 90 days after promulgation of such interpretation, rule, or other determination, or such additional time as the Company shall deem reasonable.

The ECC shall not be bound to any standards of uniformity or similarity of action, interpretation or conduct in the discharge of its duties hereunder, regardless of the apparent similarity of the matters coming before the ECC. Its determination shall be binding on all parties.

Neither the Company nor any member or former member of the ECC or the Board shall be liable for any action or determination made in good faith with respect to the Plan or any award or payment made under the Plan.

4.2 *Indemnification.* The Company shall indemnify and save harmless each member of the ECC against all expenses and liabilities arising out of membership on such ECC, excepting only expenses and liabilities arising from such member's own gross negligence or willful misconduct, as determined by the Board or outside counsel designated by the Board.

#### ARTICLE 5

##### EFFECT ON EMPLOYMENT RIGHTS

The Plan shall not constitute an employment contract and nothing contained in the Plan shall confer upon the Participant the right to be retained in the service of the Company nor limit the right of the Company to discharge or otherwise deal with the Participant without regard to the existence of the Plan.

#### ARTICLE 6

##### CHANGE OF CONTROL

## Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

In the event of the Change of Control of the Company (as defined in *Annex A* hereto), the ECC shall thereupon cause to be re-valued the Incentive Measurement, in the manner described herein, and shall provide that Incentive Units be redeemed as soon as practicable thereafter in lieu of payments that would otherwise be made under Article 2 hereof, regardless of when the end of the Award Period is scheduled to occur. Such re-valuation of the Incentive Measurement shall be determined based on (i) the Company's actual performance or growth with respect to those fiscal years within the Award Period which have ended prior to the Change of Control, plus (ii) for the fiscal year in which occurs the Change of Control, the Company's projected performance or growth as provided in the fiscal year's financial plan (as presented to the Board at the beginning of the fiscal year) pro-rated based on the number of days in said fiscal year preceding the Change of Control.

B-5

ARTICLE 7

AMENDMENT OR TERMINATION OF THE PLAN

The Plan may be amended, suspended or terminated in whole or in part at any time and from time to time by the ECC or the Board; provided that if shareholder approval of such action is required or the awards will not continue to qualify as performance-based compensation under Section 162(m) of the Code, then such action will not be effective until such approval is obtained. No such amendment, suspension or termination shall retroactively impair or otherwise adversely affect the rights of any Participant to benefits under this Plan if the end of the Award Period has occurred prior to the date of such amendment, suspension or termination.

ARTICLE 8

NON-ASSIGNMENT

The right to benefits hereunder shall not be assignable, and the Participant shall not be entitled to have such payments commuted or made otherwise than in accordance with the provisions of the Plan.

ARTICLE 9

CONSTRUCTION

9.1 *Heading and Captions.* The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

9.2 *Singular Includes Plural.* Except where otherwise clearly indicated by context, the singular shall include the plural, and vice-versa.

ARTICLE 10

RELEVANT LAW

This Plan shall be construed and enforced in accordance with the laws of the Commonwealth of Massachusetts to the extent such laws are not preempted by federal law.

ARTICLE 11

DEFERRAL OF AWARDS

Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

Participants who are designated by the ECC as being eligible to participate in the BJS Wholesale Club, Inc. General Deferred Compensation Plan may elect to defer all or a portion of the payments attributable to Incentive Units in accordance with the terms of such plan. Notwithstanding anything to the contrary, if a Participant makes such an election, then for purposes of Article 6, Annex A shall not apply, and the term, Change of Control, shall have the meaning given in Annex B.

B-6

ANNEX A

**DEFINITION OF CHANGE OF CONTROL**

For the purposes of this Plan, a Change of Control shall mean:

(a) The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the Exchange Act )) (a Person ) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then-outstanding shares of common stock of the Company (the Outstanding Company Common Stock ) or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the Outstanding Company Voting Securities ); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (iv) any acquisition by any corporation pursuant to a transaction which satisfies the criteria set forth in clauses (i), (ii) and (iii) of subsection (c) of this definition; or

(b) Individuals who, as of the date hereof, constitute the Board (the Incumbent Board ) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequently to the date hereof whose election, or nomination for election by the Company s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board (except that this proviso shall not apply to any individual whose initial assumption of office as a director occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board); or

(c) Consummation of a reorganization, merger or consolidation involving the Company or a sale or other disposition of all or substantially all of the assets of the Company (a Business Combination ), in each case, unless, immediately following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, of the corporation resulting from such Business Combination (which as used in section (c) of this definition shall include, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation and (iii) at least half of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

**ANNEX B**

**DEFINITION OF CHANGE OF CONTROL**

**FOR PURPOSES OF DEFERRAL ELECTIONS UNDER ARTICLE 11**

(a) For purposes of this Plan, when this Annex B applies, **Change of Control** shall mean the occurrence of any one of the following events:

(i) *Change in Ownership.* The acquisition of ownership of the Company's stock by any one person or group that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of such stock, provided that stock in the Company remains outstanding after any such transaction, and further provided that if a person or group owns (or is treated under the Code as owning) more than 50% of the total fair market value or total voting power of such stock, the acquisition of additional stock in the Company by such person or group will not result in a Change of Control. For purposes of the preceding sentence, an increase in the percentage of Company stock owned by any person or group as a result of a transaction in which the Company acquires its stock in exchange for property will be treated as an acquisition of Company stock.

(ii) *Change in Effective Control.* Either of the following transactions:

(A) The acquisition of ownership of the Company's stock possessing 30% or more of the total voting power of all Company stock by any one person or group during the 12-month period ending on the date of the most recent acquisition of Company stock by such person or group; or

(B) The replacement of more than 50% of the Company's Board of Directors during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of such board as constituted before the date of the appointment or election.

(iii) *Change in Ownership of Company Assets.* The acquisition of 40% or more of the total gross fair market value of the Company's assets by any one person or group during the 12-month period ending on the date of the most recent acquisition of assets of the Company by such person or group. For purposes of the preceding sentence, **gross fair market value** means the value of the Company's assets or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets, and the total gross fair market value of all of the Company's assets is determined immediately before the 12-month period. Notwithstanding anything to the contrary, a Change of Control resulting from a transfer of Company assets will not occur if the assets are transferred to:

(A) A shareholder of the Company immediately before such transfer in exchange for or with respect to Company stock;

(B) An entity 50% or more of the total value or voting power of which is owned immediately after the transfer of the assets, directly or indirectly, by the Company;

## Edgar Filing: BJS WHOLESALE CLUB INC - Form DEF 14A

(C) A person or group that owns immediately after the transfer of the assets, directly or indirectly, 50% or more of the total value or voting power of all of the outstanding stock of the Company, or an entity, at least 50% of the total value or voting power of which is owned immediately after the transfer of the assets, directly or indirectly, by such person or group.

(b) *Definition of Group.* For purposes of determining whether a Change of Control has occurred, the term, group, as used in subsection (a) of this Exhibit, includes persons that are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. Persons will not be considered to be acting as a group solely because they purchase or own stock of the same corporation at the same time, or as a result of the same public offering.

(c) *Interpretation.* The definition of Change of Control in this Exhibit is intended to be in conformity with the requirements of Section 409A of the Code and regulations issued thereunder, and any interpretation of such definition is to be guided by this objective.

and









