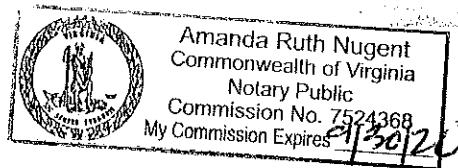


TAB C

**This is Exhibit "C" to the Affidavit of Robert J.
Riesbeck sworn before me this 18th day of February
2020**

Amanda Ruth Nugent

Notary Public in and for the State of Virginia



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One):

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

For the fiscal year ended March 2, 2019.

OR

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

For the transition period from _____ to _____

Commission File No. 001-07832

PIER 1 IMPORTS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

100 Pier 1 Place
Fort Worth, Texas
(Address of principal executive offices)

75-1729843
(I.R.S. Employer
Identification No.)

76102
(Zip Code)

Registrant's telephone number, including area code: (817) 252-8000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$0.001 par value

Name of each exchange
on which registered
New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, August 31, 2018, was approximately \$148,829,659. The registrant has no non-voting common stock.

As of April 22, 2019, there were outstanding 85,013,806 shares of the registrant's common stock, all of one class.

DOCUMENT INCORPORATED BY REFERENCE

Portions of the following document have been incorporated herein by reference:

- 1) Registrant's Proxy Statement for the 2019 Annual Meeting of Shareholders in Part III hereof.

FORM 10-K ANNUAL REPORT

Fiscal Year Ended March 2, 2019

TABLE OF CONTENTS

	PAGE
PART I	4
Item 1. Business.	4
Item 1A. Risk Factors.	7
Item 1B. Unresolved Staff Comments.	15
Item 2. Properties.	15
Item 3. Legal Proceedings.	15
Item 4. Mine Safety Disclosures.	16
PART II	17
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	17
Item 6. Selected Financial Data.	19
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.	20
Item 7A. Quantitative and Qualitative Disclosures About Market Risk.	30
Item 8. Financial Statements and Supplementary Data.	31
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.	50
Item 9A. Controls and Procedures.	50
Item 9B. Other Information.	52
PART III	52
Item 10. Directors, Executive Officers and Corporate Governance.	52
Item 11. Executive Compensation.	52
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	52
Item 13. Certain Relationships and Related Transactions, and Director Independence.	52
Item 14. Principal Accounting Fees and Services.	53
PART IV	54
Item 15. Exhibits and Financial Statement Schedules.	54

FORWARD-LOOKING STATEMENTS

Certain statements contained in Item 1, Item 1A, Item 3, Item 7, Item 7A, Item 8 and elsewhere in this report may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Pier 1 Imports, Inc. and its consolidated subsidiaries (the “Company”) may also make forward-looking statements in other reports filed with the United States Securities and Exchange Commission (“SEC”), in press releases, in presentations and in material delivered to the Company’s shareholders. Forward-looking statements provide current expectations of future events based on management’s assumptions and assessments in light of past experience and trends, current economic and industry conditions, expected future developments, and other relevant factors. These statements encompass information that does not directly relate to any historical or current fact and often may be identified with words such as “believe,” “expect,” “estimate,” “anticipate,” “plan,” “may,” “will,” “intend” and other similar expressions.

Management’s expectations and assumptions regarding: actions intended to return the Company to profitable growth; fiscal 2020 action plans and expense reduction initiatives intended to reset the Company’s gross margin and cost structure; the Company’s ability to increase cash flows to support its operating activities; the results of the evaluation of strategic alternatives and the terms, value and timing of any transaction resulting from that process, or the failure of any such transaction to occur; the effectiveness of the Company’s marketing campaigns, merchandising and promotional strategies and customer databases; consumer spending patterns; inventory levels and values; the effectiveness of the Company’s relationships with, and operations of, its key suppliers; risks related to U.S. import policy, particularly with regard to the impact of tariffs on goods imported from China and strategies undertaken to mitigate such impact; changes in foreign currency values relative to the U.S. dollar; the Company’s ability to identify a successor chief executive officer and chief financial officer and retain its senior management team; the Company’s ability to comply with the continued listing criteria of the New York Stock Exchange (“NYSE”), and risks arising from the potential suspension of trading of the Company’s common stock on that exchange; and other future results are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements.

Additional risks and uncertainties that may affect Company operations and performance include, among others: the failure by the Company to identify, develop and successfully implement immediate action plans and longer-term strategic initiatives; an inability to anticipate, identify and respond to changing customer trends and preferences and to identify, source, ship and deliver items of acceptable quality to its U.S. distribution and fulfillment centers, stores and customers at reasonable prices and rates in a timely fashion; risks related to outsourcing, including disruptions in business and increased costs; an overall decline in the health of the U.S. economy and its impact on consumer confidence and spending; disruptions in the Company’s domestic supply chain or e-Commerce website; failure to successfully manage and execute the Company’s marketing initiatives; negative impacts from failure to control merchandise returns and recalls; potential impairment charges; the Company’s access to adequate operating cash flow, trade credit, borrowed funds and capital to fund its operations and pay its obligations as they become due; competition; disruption in the global credit and equity markets; factors affecting consumer spending, including employment levels and disposable income, interest rates, consumer debt levels, fuel and transportation costs and other factors; an inability to operate in desirable locations at reasonable rental rates; failure to attract and retain an effective management team or changes in the cost or availability of a suitable workforce; failure to successfully manage omni-channel operations; seasonal variations; increases in costs that are outside the Company’s control; adverse weather conditions or natural disasters; risks related to technology; failure to protect consumer data; failure to successfully implement new information technology systems and enhance existing systems; risks related to cybersecurity; failure to maintain positive brand perception and recognition; risks related to imported merchandise including the health of global, national, regional, and local economies and their impact on vendors, manufacturers and merchandise; factors beyond the Company’s control, including general economic and market conditions, fluctuations in the Company’s financial condition or other factors that could affect the stock price; risks related to activist shareholders; regulatory and legal risks; and litigation risks.

The foregoing risks and uncertainties are in addition to others discussed elsewhere in this report which may also affect Company operations and performance. The Company assumes no obligation to update or otherwise revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied will not be realized. Additional information concerning these risks and uncertainties is contained in this Annual Report on Form 10-K for the year ended March 2, 2019, included in Item 1A. Risk Factors.

PART I

Item 1. Business.

General Development of Business.

Pier 1 Imports, Inc. was incorporated as a Delaware corporation in 1986. Throughout this report, references to the "Company" include Pier 1 Imports, Inc. and its consolidated subsidiaries. References to "Pier 1 Imports" relate to the Company's retail stores and e-Commerce website conducting business under the name Pier 1 Imports. Founded with a single store in 1962, Pier 1 Imports is a leading omni-channel retailer of unique home décor and accessories. The Company's products are available in retail stores throughout the U.S. and Canada and online at pier1.com. The Company directly imports merchandise from many countries, and sells a wide variety of decorative accessories, furniture, candles, housewares, gifts and seasonal products.

On April 17, 2019, the Company announced that it is implementing an action plan designed to reset its gross margin and cost structure, including reinvesting in the business to reset its assortment strategy, build core competencies and talent, and drive long-term efficiencies. The Company expects to capture efficiencies and drive improvement in the following areas: 1) Revenue and Margin; 2) Marketing and Promotional Effectiveness; 3) Sourcing and Supply Chain; 4) Cost Cutting; and 5) Store Optimization.

As of March 2, 2019, the Company had 973 stores in the United States and Canada. In fiscal 2019, the Company opened 1 new store and closed 31 stores. The Company operates regional distribution center facilities and/or fulfillment centers in or near Baltimore, Maryland; Columbus, Ohio; Fort Worth, Texas; Ontario, California; Savannah, Georgia; and Tacoma, Washington; and its corporate headquarters is located in Fort Worth, Texas.

The Company has an arrangement to supply Grupo Sanborns, S.A.B. de C.V. ("Grupo Sanborns") with the Company's merchandise to be sold by Grupo Sanborns' subsidiaries, Sears Operadora de Mexico, S.A. de C.V., Corporacion de Tiendas Internacionales, S.A. de C.V., and Claroshop.com, S.A.P.I. de C.V., primarily in a "store within a store" format and online at Claroshop.com.

Narrative Description of Business.

The specialty retail operations of the Company consist of retail stores and an e-Commerce website conducting business under the name Pier 1 Imports, which sell a wide variety of decorative accessories, furniture, candles, housewares, gifts and seasonal products.

As of March 2, 2019, the Company operated 906 stores in the United States and 67 stores in Canada in addition to its e-Commerce website, pier1.com. The Company's stores in the United States and Canada average approximately 10,000 gross square feet, which includes an average of approximately 8,000 square feet of retail selling space. The stores are located in freestanding units near shopping centers or malls and in-line positions in major shopping centers. The Company operates in substantially all major U.S. and most Canadian metropolitan areas and many of the primary smaller markets. The Company generally has its highest sales volumes during November and December as a result of the holiday selling season. In fiscal 2019, net sales of the Company totaled \$1.6 billion.

The Company offers a unique selection of merchandise items imported from many countries around the world. While the broad categories of the Company's merchandise remain fairly constant, individual items within merchandise categories change frequently in order to meet the changing demands and preferences of customers and trends. The principal categories of merchandise include the following:

DECORATIVE ACCESSORIES — This merchandise group constitutes the broadest category of merchandise in the Company's sales mix and accounted for approximately 67% of sales in fiscal 2019, compared to approximately 65% of sales in fiscal years 2018 and 2017. These goods include decorative accents and textiles such as rugs, wall decorations and mirrors, pillows, bedding, lamps, vases, dried and artificial flowers, baskets, ceramics, dinnerware, candles, fragrance, gifts and seasonal items.

FURNITURE — This merchandise group consists of furniture and furniture cushions to be used in living, dining, office, kitchen and bedroom areas, sunrooms and patios. This group accounted for approximately 33% of sales in fiscal 2019, compared to approximately 35% of sales in fiscal years 2018 and 2017. The Company's furniture is generally made of metal or handcrafted natural materials, including rattan, pine, acacia, oak, and other woods with either natural, stained, painted or upholstered finishes.

The Company's merchandise largely consists of items that feature a significant degree of handcraftsmanship. The Company enjoys long-standing relationships with many vendors and agents and is not dependent on any particular merchandise supplier. The Company believes alternative sources of merchandise could be procured over a reasonable period of time, if necessary. When sourcing merchandise, the Company considers quality, dependability of delivery and cost. During fiscal 2019, the Company sold merchandise imported from many different countries, with approximately 60% of its sales derived from merchandise produced in China, 16% in India and 17% collectively in Vietnam, the United States and Indonesia. The remainder of its merchandise is sourced from other countries around the world.

Most merchandise is shipped from the supplier to the Company's distribution centers, where merchandise is then allocated and delivered to retail stores, fulfillment centers or to third-party carriers fulfilling customer orders.

The Company owns a number of federally registered trademarks and service marks under which it conducts business. Additionally, the Company has registered and has applications pending for the registration of certain other trademarks and service marks in the United

States, Canada and other foreign countries. The Company believes that its marks have significant value and are important in its marketing efforts. The Company's policy is to pursue registration of its marks and oppose any infringement of its marks.

The Company operates in the highly competitive specialty home retail business and competes primarily with specialty sections of large general merchandise retailers and department stores, home furnishings retailers, small specialty stores, online retailers and marketplaces and mass merchandising discounters.

The Company allows customers to return merchandise within a reasonable time after the date of purchase. Most returns occur within 30 days of the date of purchase. The Company monitors the level of returns and maintains a reserve for future returns based on historical experience and other known factors.

On March 2, 2019, the Company employed approximately 18,000 associates in the United States and Canada, of which approximately 4,000 were full-time employees and 14,000 were part-time employees.

Available Information.

The Securities and Exchange Commission ("SEC") maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC through its Internet website at www.sec.gov. The Company makes available, free of charge through its Internet website address at www.pier1.com, its Annual Reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and amendments to those reports it files with the SEC pursuant to Section 13(a) of the Securities Exchange Act of 1934 as soon as reasonably practicable after it electronically files such material with, or furnishes such material to, the SEC. The information on the Company's website is not incorporated by reference in this Annual Report on Form 10-K.

Executive Officers of the Company

CHERYL A. BACHELDER, age 62, was named Interim Chief Executive Officer on December 18, 2018. She most recently served as Chief Executive Officer of Popeyes Louisiana Kitchen, Inc., from 2007 to 2017. From January 2001 to September 2003, Ms. Bachelder served as the President and Chief Concept Officer for KFC Corporation in Louisville, Kentucky, where she was directly responsible for the U.S. business. From June 1995 to December 2000, Ms. Bachelder served as Vice President, marketing and product development for Domino's Pizza, Inc. She has previously held multiple executive positions with consumer industry companies including RJR Nabisco, Gillette Company and Procter & Gamble.

DEBORAH RIEGER-PAGANIS, age 63, was appointed Interim Chief Financial Officer in April 2019. She is employed as a managing director of AlixPartners, LLP, a global consulting firm, and will continue in that capacity while serving as Interim Chief Financial Officer of the Company. In her capacity as a managing director at AlixPartners, Ms. Rieger-Paganis has worked closely with the Company's leadership team in a consulting capacity. She has more than 30 years of experience leading and improving retail companies' finance organizations and business operations, including her 17 years at AlixPartners, where she has served as both an advisor and an interim chief financial officer to a range of companies.

ROBERT E. BOSTROM, age 66, was named Executive Vice President, Chief Legal and Compliance Officer and Corporate Secretary in January 2019. Prior to joining the organization, Mr. Bostrom was most recently with Abercrombie & Fitch, Co. where he served as Senior Vice President and Special Counsel from October 2018 to January 2019, and Senior Vice President, General Counsel and Corporate Secretary from January 2014 to September 2018. Previously, Mr. Bostrom was Co-Chair of the Financial Institutions and Regulatory Compliance practice at international law firm Greenberg Traurig, LLP from 2012 to 2013, and Co-Head of the Global Financial Institutions and Funds Sector for SNR Denton, one of the largest law firms worldwide, from 2011 to 2012. Prior to that, Mr. Bostrom served as general counsel of Freddie Mac from 2006 to 2011.

DONNA N. COLACO, age 60, was named Executive Vice President and Chief Customer Officer in December 2018. Prior to joining the Company, Ms. Colaco most recently served as Brand President of White House Black Market, a Chico's FAS, Inc. brand, from August 2007 to January 2018. Ms. Colaco also served as a member of the Chico's FAS Executive Committee. Prior to that, Ms. Colaco spent 11 years with AnnTaylor Stores Corporation, where she held positions of increasing responsibility within the merchandising organization, successfully launched the LOFT outlet division, and served as head of e-Commerce for the Ann Taylor brand. From 2006 to 2007, Ms. Colaco was President of Ann Taylor Loft, a \$1 billion apparel and accessories business.

MARK R. HALEY, age 48, was named Executive Vice President, Store Sales and Operations of the Company in May 2018, having previously served as Senior Vice President, Store Operations since April 2016 and as Vice President, Store Operations from 2011 to 2016. Prior to re-joining the Company, Mr. Haley served as Director, Stores for Old Navy, a subsidiary of Gap Inc., from 2004 to 2011. Mr. Haley began his career with Pier 1 Imports in 1990 serving in various roles including Director, Stores from March 2001 to July 2004 and Regional Manager from January 2000 to March 2001.

CHRISTINE C. MURRAY, age 44, was named Executive Vice President, Human Resources and Chief Human Resources Officer of the Company in April 2019, having previously served as Senior Vice President, Human Resources and Chief Human Resources Officer since March 2018 and as Vice President, Organizational Development and Talent Acquisition from 2011 to 2018. Ms. Murray began her career with Pier 1 Imports in 2005 serving in various roles including Director, Human Resources and Director Organizational Development and Training. Prior to joining the organization, Ms. Murray held the position of Director, Human Resources for Destination Maternity Corporation from 2003 to 2005.

WILLIAM H. SAVAGE, age 55, was named Executive Vice President of Global Supply Chain in November 2018 having previously served as Executive Vice President of Global Sourcing since December 2017. Prior to joining the Company, Mr. Savage served as the President Home Division for Sears Holdings Corporation from 2014 to 2017. From 2012 to 2014, Mr. Savage served as Executive

Commercial Director for Tesco PLC in China and prior to that as Executive Vice President and Chief Merchandising Officer, Retail for Walmart, Inc. in India from 2010 to 2012. Earlier in his career, he held senior leadership positions with Metro Cash & Carry International in Vietnam and Kingfisher PLC in China, Korea and the U.K.

LANCE J. WILLS, age 51, was named Executive Vice President, Chief Information Officer in February 2019. Prior to joining the organization, Mr. Wills served as Executive Vice President, Global Technology Officer for Toys"R"Us, Inc. from 2016 to 2018. Prior to that, he spent three years with American Eagle as Vice President, Global Head of Digital Technology from 2013 to 2016, and six years with Macy's, Inc. as Vice President, Digital Technology.

DARLA D. RAMIREZ, age 57, was appointed Interim Principal Financial Officer in April 2019. She serves as the Company's Principal Accounting Officer, a position she has held since January 2011, and as Vice President and Controller of the Company's operating subsidiaries. From October 2017 through January 2018, she also served as Interim Chief Financial Officer of the Company.

The executive officers of the Company are elected by the Board of Directors and hold office until their successors are elected or appointed and qualified or until their earlier resignation or removal. None of the above executive officers has any family relationship with any other of such officers or with any director of the Company. None of such officers was selected pursuant to any arrangement or understanding between her or him and any other person.

Item 1A. Risk Factors.

The Company's business is subject to risk and uncertainties. The following discussion, along with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and related notes, sets forth the most significant risks and uncertainties that management believes could adversely affect the Company's business, financial condition or results of operations. Additional risks and uncertainties of which management is not aware or that management currently deems immaterial may also have a material adverse effect on the Company's business, financial condition or results of operations. There is no assurance that this discussion covers all potential risks and uncertainties that may be faced by the Company. The occurrence of the described risks and uncertainties could cause the Company's results to differ materially from those described in the forward-looking statements included elsewhere in this report, and could have a material adverse effect on the Company's business, financial condition or results of operations.

Strategic Risks and Strategy Execution Risks

Failure by the Company to identify, develop and successfully implement immediate action plans and longer-term strategic initiatives would negatively impact the Company.

The Company's ability to address the challenges currently facing the business and to deliver improved financial performance is dependent on the Company successfully identifying, developing and implementing plans and initiatives intended to drive near-term improvement and to return the Company to sustainable financial performance. If such plans and initiatives are not properly identified, developed and successfully executed, or if execution or realization of positive results takes longer than expected, the Company's business, financial condition and results of operations would be adversely affected. If the Company continues to incur substantial losses, additional actions will be required to address the Company's financial performance. The success of the Company's plans and initiatives is subject to risks and uncertainties with respect to execution, market conditions and other factors that may cause actual results, performance or achievements to differ materially, and adversely, from its plans and expected results.

The Company must be able to anticipate, identify and respond to changing trends and customer preferences for home décor and furniture.

The success of the Company's specialty retail business depends largely upon its ability to consistently predict trends and to provide merchandise that satisfies consumer demand in a timely manner. Consumer preferences often change and may not be reasonably predicted, and the Company may fail to identify and source the necessary products to meet customers' tastes in a timely manner. A majority of the Company's merchandise is manufactured, purchased and imported from countries around the world and may be ordered well in advance of the applicable selling season. Extended lead times may make it difficult to respond rapidly to changes in consumer demand, and as a result, the Company may be unable to react quickly and source needed merchandise. In addition, the Company's vendors may not have the ability to handle the Company's demand for changing products or increased speed of replenishment. The seasonal nature of the business leads the Company to purchase, and requires it to carry, a significant amount of inventory prior to its peak selling season. As a result, the Company may be vulnerable to evolving home furnishing trends, changes in customer preferences, and pricing shifts, and may misjudge the timing and selection of merchandise purchases or consumer demand. The Company's failure to anticipate, predict and respond in a timely manner to changing trends could lead to lower sales and additional discounts and markdowns in an effort to clear merchandise, which could have a negative impact on merchandise margin and, in turn, the results of operations.

The Company outsources certain business processes to third-party vendors and has certain business relationships that subject the Company to risks, including disruptions in business, cybersecurity threats and increased costs.

The Company outsources numerous business processes to third parties including: gift card tracking and authorization; credit card authorization and processing; store schedule visibility and time/attendance tracking; store maintenance services; maintenance and support of the Company's website and e-Commerce platform; software development; certain marketing services; insurance claims processing; real estate services; customs filings and reporting; domestic and ocean freight including certain processing functions; integration, shipment and delivery of customer orders including parcel, in-home delivery and drop ship; certain merchandise compliance functions including testing; certain payroll processing and various tax filings, administration and record keeping for certain employment benefits including retirement and deferred compensation plans, the stock purchase plan and medical and prescription plans; and third-party vendor auditing. In addition, the Company also has business relationships with third parties to provide essential services such as the extension of credit to its customers and maintenance of the Pier 1 rewards credit card program. The Company makes a diligent effort to ensure that all providers of these services are observing proper internal control and business continuity practices, such as redundant processing facilities, and appropriate policies and practices to mitigate the risk of security breaches, cyber incidents and e-Commerce related fraud that could damage the Company, its customers or other third parties with whom it does business. Failures affecting the Company's vendors have occurred in the past, without any material adverse impact upon the Company, and could occur in the future. There can be no assurance that failures will not occur or that their effects on the Company would not be material. Failure of third parties to provide adequate services or the Company's inability to arrange for alternative

providers on favorable terms in a timely manner could have a material negative effect on the Company's operations and financial results.

An overall decline in the health of the economy in the United States and its impact on consumer confidence and spending could negatively impact the Company's financial results.

The recessions experienced by the United States in various years adversely affected the discretionary spending, savings and investments of consumers. The resulting deterioration in consumer confidence and spending during those recessionary periods resulted in consumers reducing or eliminating their purchases of discretionary items, including the Company's merchandise, which negatively impacted the Company's financial results during those years. Such recessions could occur again and could have a significant impact on the Company's financial results.

A disruption in the operation of the domestic portion of the Company's supply chain, or its e-Commerce website, could impact the Company's ability to deliver merchandise to its stores and customers, which could impact its sales, operations and financial results.

The Company maintains regional distribution centers in Maryland, Ohio, Texas, California, Georgia and Washington, where merchandise is received, allocated, and delivered to the Company's stores, fulfillment centers and customers. The Company may from time to time relocate or consolidate facilities, which could delay delivery of merchandise to the Company's stores and customers. Major catastrophic events such as natural disasters, fire or flooding, malfunction or disruption of the information systems, security breaches, cyber incidents, a disruption in communication services or power outages, or shipping interruptions (including labor issues at the ports) could also delay distribution of merchandise to the Company's stores and customers. Such disruptions could have a negative impact on the Company's sales, operations and financial results.

Failure to successfully manage and execute the Company's marketing initiatives could have a negative impact on the Company's business and financial results.

The success and growth of the Company is dependent upon retaining existing customers, including Pier 1 Reward Credit Card holders, and acquiring new customers to generate increased traffic in order to produce sales in its stores and through the Company's e-Commerce website. Successful marketing efforts require the ability to obtain and maintain customer information, determine the customer's merchandise and purchasing interests, and to personalize communication to customers through their desired mode of communication utilizing various channels. Media placement decisions are generally made months in advance of the scheduled release date and are subject to the competitive landscape of advertisement placement. While gathering information about customers, the Company must consider the customers' interest in participating in loyalty programs, the customer's desire for privacy and the need to comply with applicable laws and regulations regarding advertising and privacy. Any future changes in federal or state privacy laws or their interpretation or enforcement by courts and governmental agencies could adversely impact the Company's ability to market to customers. The Company's inability to obtain and use both new and existing customer information, accurately predict and respect its customers' preferences, utilize the desired modes of communication, allocate marketing resources to maximize return, maintain effectiveness of its loyalty program or ensure availability of advertised products could negatively impact the business and financial results.

Failure to control merchandise returns could negatively impact the Company's business and financial results.

The Company has established a provision for estimated merchandise returns based upon historical experience and other known factors. If actual returns are greater than those projected by management, additional reductions of revenue could be recorded in the future. Also, to the extent that returned merchandise is damaged, the Company may not receive full retail value from the resale of the returned merchandise. Introductions of new merchandise, changes in merchandise mix, associate selling behavior, merchandise quality issues, changes to the Company's return policy, e-Commerce return behavior, changes in consumer confidence, new delivery channels/methods, recalls or other competitive and general economic conditions may cause actual returns to exceed the provision for estimated merchandise returns. An increase in merchandise returns that exceeds the Company's current provisions could negatively impact the business and financial results.

Changes to estimates related to the Company's property and equipment, financial results that are lower than its current estimates at certain store locations or determinations to close underperforming stores may cause the Company to incur impairment charges on certain long-lived assets, negatively affecting its financial results.

The Company makes certain accounting estimates and projections with regard to individual store operations as well as overall Company performance in connection with its impairment analysis for long-lived assets in accordance with applicable accounting guidance. An impairment charge may be required if the impairment analysis indicates that the carrying value of an asset exceeds the sum of the expected undiscounted cash flows of the asset. The projection of future cash flows used in this analysis requires the use of judgment and a number of estimates and projections of future operating results. If actual results differ from the Company's estimates, additional charges for asset impairments may be required in the future. If impairment charges are significant, the Company's financial results could be negatively affected.

There can be no assurance that the Company's strategic review process will result in a transaction being consummated or any other specific action.

On December 19, 2018, the Company announced that its Board of Directors initiated a process to evaluate a full range of strategic alternatives to enhance shareholder value and has retained Credit Suisse to assist in this effort. There can be no assurance that the strategic review will result in a transaction. If a transaction does result, there be no assurance as to its timing or that any such transaction will result in any value being delivered to the Company's shareholders. The review process will require additional resources and costs and may contribute to increased uncertainty, as well as diversion of management's time and attention, each of which may adversely impact the Company's business and financial results.

The Company's ability to execute its strategic initiatives could be impaired if it fails to identify a successor CEO and CFO and retain its senior management team.

The Board of Directors has appointed an experienced chief executive having more than six years of service as a director of the Company to act as the Company's interim CEO to oversee the actions necessary to address the challenges facing the Company and place it on a path to growth. Internationally recognized consultants are assisting management in this effort. The Board of Directors is evaluating alternative courses of action relative to the appointment of a successor CEO in response to the recent departure of the Company's CEO and announcement that the Board has initiated a process to evaluate a full range of strategic alternatives to enhance shareholder value. The Company has also engaged an interim CFO with extensive experience leading retail company finance organizations and business operations while the Board of Directors searches for a permanent CFO. The Company has retention arrangements with certain senior executives that provide financial incentives to continue their employment for specified periods of time. There can be no assurance that these arrangements to provide effective executive leadership of the Company will be successful in achieving their objectives. The Company's success depends, in part, upon the services of its senior management team. If the Company is unable to attract a successor CEO and CFO and attract and retain key senior executives its ability to successfully execute its strategic initiatives could be adversely impacted, which could adversely affect the Company's business, financial condition and results of operations.

Risks Relating to Liquidity

If the Company is unable to generate sufficient cash flows from operations, it may not be able to fund its obligations. Insufficient cash flows from operations could result in the substantial utilization of the Company's secured revolving credit facility or similar financing, which may limit the Company's ability to conduct certain activities.

The Company is dependent upon generating sufficient cash flows from operations to fund its obligations and strategic investments. The Company maintains a secured revolving credit facility to enable it to acquire merchandise, fund working capital requirements as well as to support standby letters of credit. Borrowings under the secured revolving credit facility are subject to a borrowing base calculation consisting of a percentage of certain eligible assets of the Company and are subject to advance rates and commercially reasonable reserves. Substantial utilization of the available borrowing base will result in various restrictions on the Company, including restrictions on the ability of the Company to repurchase its common stock or pay dividends and an increase in the lender's control over the Company's cash accounts. The Company entered into a senior secured term loan facility in April of 2014. The facility contains a number of affirmative and restrictive covenants that may also limit the Company's actions. Continued negative cash flows from operations could result in the Company borrowing increased amounts under its credit facilities to fund operational needs and increased utilization of letters of credit and greater dependence on the availability of the revolving credit facility. These actions could result in the Company being subject to increased restrictions and increase interest expense and overall leverage. See *Note 4 of the Notes to Consolidated Financial Statements* for additional discussion.

The Company is dependent on the availability of adequate operating cash flow, trade credit, borrowed funds and capital.

The Company is dependent on the availability of adequate operating cash flow, trade credit, borrowed funds and capital to fund its operations and to pay its obligations as they become due. If these sources are insufficient to fund the Company's future operations, including capital expenditures, and to repay its debt and other obligations as they become due, the Company may need to raise additional funds through other public or private sources. If unfavorable conditions exist if and when the Company seeks additional financing, it may not be able to raise sufficient capital on favorable terms or on a timely basis, if at all. Continued deterioration of the Company's financial performance or adverse trends or disruption in the global credit and equity markets could negatively affect the Company's ability to obtain necessary funding. A decline in economic conditions could also result in difficulties for financial institutions and other parties with whom the Company does business, which could potentially affect the Company's ability to access financing under existing arrangements or to otherwise recover amounts as they become due under the Company's contractual agreements. The inability of the Company to obtain financing as needed on acceptable terms to fund its operations would have a negative impact on the Company's business and financial results.

The Company depends upon relationships with its vendors to support the Company's ability to purchase merchandise on competitive terms. A significant change in vendor support could limit the Company's ability to acquire merchandise on competitive price or payment terms. If the Company's vendors seek accelerated payment terms or materially increased usage of letters of credit, the Company's financial condition and results of operations would be adversely affected.

Risks Related to Profitability

The Company operates in a highly competitive retail environment with companies offering similar merchandise. If the Company fails to effectively compete for and retain customers, sales could decline.

The Company operates in the highly competitive specialty home retail business and competes primarily with specialty sections of large general merchandise retailers and department stores, home furnishing retailers, small specialty stores, online retailers and marketplaces, and mass merchandising discounters. Management believes that the Company is competing for sales on the basis of style, product value proposition given pricing and quality, newness of merchandise assortment, visual presentation of its merchandise, including store layout, degree of convenience and customer service. The Company experiences increased competition when other retailers offer promotional pricing, including free shipping, or liquidate merchandise for various reasons. The Company has experienced the adverse effects of increasing competition in recent years. If the Company is unable to maintain a competitive position, it could experience increased negative pressure on retail prices for its products and loss of customers, which in turn, would have a material adverse effect on its business, financial condition and results of operations.

The success of the business depends on factors affecting consumer spending that are not controllable by the Company.

Consumer spending, including spending for the home and home-related furnishings, depends upon many factors beyond general economic conditions (both domestic and international), including, among others, levels of employment, disposable consumer income, prevailing interest rates, changes in the housing market, consumer debt, costs of fuel and other energy sources, inflation, fears of recession or actual recession periods, war and fears of war, pandemics, inclement weather, tax rates and rate increases, consumer confidence in future economic conditions and global, national, regional and local political conditions (including the possibility of governmental shut downs), and consumer perceptions of personal well-being and security. Unfavorable changes in factors affecting discretionary spending could reduce demand for the Company's products, resulting in lower sales and a negative impact to the business and its financial results.

The Company's success depends, in part, on its ability to operate in desirable locations at reasonable rental rates and to close underperforming stores at or before the conclusion of their lease terms.

The profitability of the business depends in large part on operating the current store base at a reasonable profit, opening and operating new stores at a reasonable profit, and identifying and closing underperforming stores. For the majority of the Company's current store base, a large portion of a store's operating expense is the cost associated with leasing the location. The Company actively monitors individual store performance and attempts to negotiate favorable lease terms to ensure stores can remain profitable or have the ability to return to a profitable state. Current locations may not continue to be desirable as the Company's strategy evolves or demographics change, and the Company may choose to close underperforming stores before lease expiration and incur lease termination costs associated with those closings. The Company cannot give assurance that opening new stores or an increase in closing underperforming stores will result in improved financial results.

Failure to attract, motivate and retain an effective management team or changes in the cost or availability of a suitable workforce to manage and support the Company's stores, distribution and fulfillment centers and e-Commerce website could negatively affect the Company's business.

The Company's success depends, in a large part, on being able to successfully attract, motivate and retain a qualified management team and associates. Sourcing qualified candidates to fill important positions within the Company, especially management, given current business trends and the highly competitive retail environment may prove to be a challenge. The inability to recruit and retain such individuals could result in turnover in the corporate headquarters, stores, and distribution and fulfillment centers, which could have a negative effect on the Company's business and strategic plan. Management will continue to assess the Company's compensation and benefit program in an effort to attract future qualified candidates and retain current experienced management team members.

Occasionally, the Company experiences union organizing activities in non-unionized distribution facilities. These types of activities may result in work slowdowns or stoppages, higher labor costs and higher operating expenses. Any increase in cost associated with labor organization at distribution facilities could result in higher costs to distribute inventory and could negatively impact margins. Similar activities could also occur in the Company's stores and fulfillment centers.

Failure to successfully manage the Company's omni-channel operations could negatively affect the Company's business.

The Company continues to enhance its omni-channel capabilities. Successful execution of omni-channel initiatives depends on the Company's ability to maintain uninterrupted availability of the Company's e-Commerce website and supporting applications, adequate and accurate inventory levels, timely and cost-effective fulfillment and delivery of customer orders, accurate shipping of undamaged product and coordination of those activities within the Company's retail stores. In addition, the Company's customer service function must maintain a high standard of customer care. Failure to successfully manage omni-channel processes and costs may negatively impact sales and profitability, result in the loss of customers and damage the Company's reputation.

The Company's business is subject to seasonal variations, with a significant portion of its sales and earnings occurring during two months of the year.

The Company generally has its highest sales volumes during the November and December holiday selling season. Severe weather or failure to predict consumer demand correctly during these months could result in material lost sales or gross margin erosion if merchandise must be marked down significantly to clear inventory.

Factors that may or may not be controllable by the Company may negatively affect the Company's financial results.

The Company's financial results may be negatively impacted by increases in costs that are beyond the Company's control, including items such as increases in fuel and transportation costs, higher interest rates, increases in losses from damaged merchandise, inflation, litigation, recalls, fluctuations in foreign currency exchange rates, higher costs of labor, labor disputes around the world, increases in the costs of insurance and healthcare, increases in postage and media costs, higher tax rates and unfavorable changes in tax and trade policies. In addition, compliance with changes in laws and regulations and compliance with accounting standards and internal control requirements, may negatively impact the Company's financial results.

The Company's business may be harmed by adverse weather conditions and natural disasters.

Extreme or undesirable weather can negatively affect customer traffic in retail stores as well as customer shopping behavior. Natural disasters such as earthquakes, weather phenomena, and events causing infrastructure failures could negatively affect any of the Company's operations, including its distribution and fulfillment centers, administrative facilities, logistics infrastructure, or operations of its suppliers domestically and in foreign countries.

Risks Associated with Dependence on Technology

The Company is heavily dependent on various kinds of technology in the operation of its business.

Failure of, or security breaches or cyber incidents associated with, any critical software applications maintained by the Company or its vendors, including software-as-a-service and cloud operations, technology infrastructure, telecommunications, data communications, data storage equipment, or networks could have a material negative effect, including additional expense, on the Company's ability to manage the merchandise supply chain, allocate and sell merchandise, manage its relationships with its customers, accomplish payment functions, report financial data or manage labor and staffing. Although the Company maintains off-site data backups, a concentration of technology-related risk exists in the Company's headquarters located in Fort Worth, Texas. External events, including but not limited to, natural disasters, fire or flooding, civil unrest, service disruptions or degradation because of technology malfunction, sudden increases in customer transaction volume, power or internet outages, telecommunications failures, fraud, denial-of-service and other cyberattacks, terrorism, computer viruses, physical or electronic break-ins or other events not within the Company's control could prohibit access to or limit functionality of the data center located in the Company's headquarters or the ability of its stores to function. While the Company has successfully mitigated past events of this nature with minimal disruption to the business, a major event could be more disruptive and require significant time and resources to resolve, and could result in a material adverse impact on the Company's operations and financial results.

Failure to protect the integrity and security of individually identifiable data of the Company's customers and associates could expose the Company to litigation and/or regulatory action and damage the Company's reputation.

The Company receives and maintains certain personal and payment information of its customers, vendors and associates. The collection and use of this information by the Company is regulated at the international, national, federal, state and other political subdivision levels, and is subject to certain contractual restrictions in third-party agreements. The Company utilizes numerous tools and processes intended to protect against, detect and respond to security breaches and cyber incidents that could compromise this information, including associate training and an integrated risk assessment and disclosure process. The Company utilizes an incident response plan as part of its crisis management program, which is reviewed, enhanced and tested annually. This response plan includes notification and disclosure to appropriate levels of management, the Company's Board of Directors and other stakeholders including affected customers and governmental authorities. Although the Company has implemented processes to collect and protect the integrity and security of personal and payment information, there can be no assurance that this information will not be obtained by unauthorized persons, or collected or used inappropriately.

Like all large scale retailers, the Company's information systems and those of its vendors are under continuous attack by U.S. and foreign criminal elements seeking access to the Company's data generally and particularly information regarding its customers and employees or to otherwise disrupt its operations. These increasingly sophisticated cyberattacks include computer viruses, malicious code, ransomware, social engineering attacks (including phishing and impersonation), hacking, denial-of-service attacks and similar disruptions. While the Company has not to its knowledge experienced a material breach or loss of sensitive information, there can be no assurance that the Company has the resources or technical expertise to anticipate or prevent such breaches or losses or that their cost or impact to the Company will not be material. If the security and information systems of the Company or of its business partners

are compromised or its internal or external business associates fail to comply with the Company's security breach and cyber incident policies and procedures or applicable laws and regulations and customer or employee information is obtained by unauthorized persons, or collected or used inappropriately, the Company's reputation and marketing initiatives, as well as operations and financial results, could be materially impacted. These events could result in litigation and/or regulatory action against the Company, including the imposition of monetary judgments, penalties and fines in amounts that would be material to the Company. In addition, a compromise of the Company's systems could result in a disruption to operations and strategic initiatives and require materially greater resources to remediate, investigate, correct and upgrade systems. As the tactics and capabilities of cyber criminals change and become more sophisticated, and as privacy and information security laws and regulations change, the Company will continue to incur significant costs to remain reasonably secure and in compliance.

Failure to successfully implement new information technology systems and enhance existing systems could negatively impact the Company's operations and financial results.

The Company regularly invests in new information technology systems and implements modifications and upgrades to existing systems. These investments include replacing legacy systems, making changes to existing systems, building redundancies, acquiring new systems and hardware with updated functionality and cloud-based solutions such as software-as-a-service, platform-as-a service and data storage. The Company believes it is taking appropriate actions to ensure the successful implementation and return on investment of these initiatives, including the testing of new systems and the transfer of existing data, with minimal disruptions to the business. However, there can be no assurance the Company has anticipated all potential risks including security breach and cyber incident risks. Failure to successfully implement these initiatives could negatively impact the Company's operations and financial results.

The Company's business operations, including the Company's e-Commerce website, are subject to inherent cybersecurity risks and e-Commerce related fraud that may disrupt its business and negatively impact the Company's operations, financial results and reputation.

The Company's e-Commerce functionality has increased the Company's exposure to security breach and cyber incident risks and e-Commerce related fraud. A compromise of the Company's or its third-party vendors' information systems could result in a service disruption, personal information of the Company's customers or proprietary information of the Company or its vendors being obtained by unauthorized users or the Company, its customers or its vendors falling victim to unauthorized, fraudulent transactions. A failure to exercise adequate oversight over third-party vendors, including compliance with service level agreements or regulatory or legal requirements, could result in economic and reputational harm to the Company. Although the Company has implemented processes to mitigate the risks of security breaches, cyber incidents and e-Commerce related fraud, and believes that it has responded appropriately and effectively to prevent any material adverse effect on the Company or its customers when these events have occurred, there can be no assurance that such events will not continue to occur, that such mitigation will be successful or that the Company or its customers will not in a future instance suffer material losses. These events could result in violation of privacy laws, litigation or regulatory action, increased costs and a loss of consumer confidence in the Company's security measures. While the Company has successfully mitigated past events of this nature with minimal disruption to the business, a major event, especially during peak selling season, could be more disruptive and require significant time and resources to resolve, and could result in a material adverse impact on the Company's operations, financial results and reputation.

Failure to maintain positive brand perception and recognition could have a negative impact on the Company's operations, financial results and reputation.

Maintaining a good reputation is critical to the Company's business. Social media has increased the risk that the Company's reputation could be negatively impacted in a short amount of time. If the Company is unable to quickly and effectively respond to occurrences of negative publicity through social media or otherwise, it may suffer declines in customer loyalty and traffic, vendor relationship issues, diversion of management's time to respond and other adverse effects, all of which could negatively impact the Company's operations, financial results and reputation.

Risks Associated with International Trade

As an importer and retailer of imported merchandise, the Company is subject to certain risks that typically do not affect retailers of domestically produced merchandise.

The Company must order merchandise well in advance of delivery and generally takes title to the merchandise at the time it is loaded for transport to designated U.S. destinations. Global political unrest, war, threats of war, terrorist acts or threats, especially threats to foreign and U.S. ports and piracy, disruption in the operation of the international portion of the Company's supply chain, limited number of shipping carriers, labor unrest or natural disasters could adversely affect the Company's ability to import merchandise from certain countries. Although the Company pays for the vast majority of its merchandise in U.S. dollars, fluctuations in foreign currency exchange rates and the relative value of the U.S. dollar, restrictions on the convertibility of the dollar and other currencies, duties, preferential trade agreements including generalized system of preferences, retaliatory tariffs or commercially restrictive duties, taxes and other charges on imports, rising labor costs and cost of living in foreign countries, dock strikes, worker strikes, import quota systems and other restrictions sometimes placed on foreign trade can affect the price, delivery and availability of imported merchandise as well as exports to the Company's stores in other countries. The inability to import merchandise from China and other countries, unavailability of adequate shipping capacity at reasonable rates, or the imposition of significant tariffs could have a negative effect on the operations

and financial results of the Company. Ocean carriage and freight costs, duties and agent commissions contribute a substantial amount to the cost of imported merchandise. Monitoring foreign vendors' compliance with applicable laws and Company standards, including quality and safety standards and social compliance issues, is more difficult than monitoring domestic vendors.

Governmental agencies have the authority to enforce trade agreements, resolve trade disputes and control market access to goods and services. Governments may also impose trade sanctions on foreign countries that are found to violate trade agreements or maintain laws or practices that are unjustifiable and restrict commerce. In these situations, governments may increase duties on imports from one or more foreign countries. The Company could be negatively affected by the imposition of trade sanctions.

In addition to being subject to domestic laws such as the Foreign Corrupt Practices Act, the governments of the countries in which the Company does business maintain a variety of additional trade laws under which the Company's ability to import may be affected from time to time, including antidumping laws, countervailing duty laws, safeguard laws, and laws designed to protect intellectual property rights. Although the Company may not be directly involved in a particular trade dispute under any of these laws, its ability to import, or the terms and conditions under which it can continue to import, may be affected by the outcome of such disputes.

The Company imports merchandise from countries around the world and as a result may be affected from time to time by antidumping petitions alleging that foreign manufacturers are selling their own products at prices that are less than the prices that they charge in their home country market or in third-country markets or at less than their cost of production. Such petitions, if successful, could significantly increase import duties on those products. In that event, the Company might decide to pay the increased duties, thereby reducing gross profits or increasing the price to consumers of the affected products. Alternatively, the Company might decide to source the product or a similar product from a different country not subject to increased duties or discontinue the importation and sale of the product.

Dispute resolution processes in recent years have been utilized to resolve disputes regarding market access between the European Union, China, the United States and other countries. In some instances, these trade disputes can lead to threats by countries of sanctions or other retaliatory actions against each other, which can include import prohibitions and increased duty rates on imported items. The Company considers any agreement that reduces tariff and non-tariff barriers in international trade to be beneficial to its business. Any type of sanction on imports is likely to increase the Company's import costs or limit the availability of merchandise purchased from sanctioned countries. In that case, the Company may be required to seek similar merchandise from providers in other countries on terms that could be materially less favorable.

The Company's business may be adversely affected by changes in U.S. policy related to imported merchandise.

The majority of the Company's merchandise is sourced from outside of the United States. The U.S. government has made substantial changes to its trade policies, including import restrictions and increased import tariffs on certain classes of products, among other measures reported to be under consideration. While these actions and proposed actions have not materially affected the Company's sourcing of merchandise to date, there is no assurance that trade actions by the U.S. government or foreign governments will not have a material adverse effect on the Company. Material changes in these policies could require the Company to increase prices to customers, which would likely adversely affect sales. Any significant change in U.S. policy related to imported merchandise could have a material adverse effect on the Company's business and financial results.

Approximately 60% of the Company's fiscal 2019 net sales were derived from merchandise produced in China. Of that amount, approximately half consisted of product classes subject to the tariffs enacted by the U.S. government in 2018. The Company has developed strategies to partially mitigate the impact of the current 10% and proposed 25% tariffs, including collaborative efforts with its vendor partners, such that financial results for fiscal 2019 were not materially affected. There can be no assurance as to the final scope of the tariffs that will be imposed or the course or timing of trade negotiations between the United States and China to resolve the issues which led the Office of the U.S. Trade Representative to impose the tariffs. Imposition of the 25% tariff in 2020 or future fiscal years would have a material adverse effect on the Company's business and financial condition.

Risks Relating to the Company's Common Stock

Many factors, including factors beyond the Company's control, could affect the Company's common stock price.

The Company's common stock is subject to significant volatility as a result of many factors, including those beyond the Company's control. These factors include, but are not limited to, general economic and market conditions, fluctuations in the Company's financial condition, operating results or liquidity, execution of the Company's strategic plan, discontinuation of common stock dividends and share repurchases, or failure to meet shareholder expectations. These and other risks could affect the Company's common stock price.

The Company must remain in compliance with the New York Stock Exchange's requirements for the continued listing of its common stock on the exchange.

The Company's common stock is listed on the New York Stock Exchange ("NYSE"). The Company received a "deficiency notice" from the NYSE on January 11, 2019 that the Company failed to comply with the NYSE's listing requirement that the average closing price of the Company's common stock over a consecutive 30-day trading period be not less than \$1.00, which will result in the Company's common stock being delisted from the NYSE if action is not taken to resume compliance with NYSE rules within the applicable cure period. The Company intends to take the necessary actions to meet the NYSE listing standards and has included a reverse stock split

proposal in the Proxy Statement for the 2019 Annual Meeting of Shareholders. Other possible actions may include improving the Company's financial results, engaging in capital transactions or appealing the NYSE's delisting decision. Such actions must be completed and effective to increase the price of the Company's common stock to a level meeting NYSE listing requirements on or before July 11, 2019. The Company must also continue to meet other NYSE listing standards, including requirements that its average market capitalization over a consecutive 30 trading-day period not be less than \$50 million at the same time shareholders' equity is less than \$50 million, that its average market capitalization over a consecutive 30 trading-day period not be less than \$15 million and that the common stock not trade at an "abnormally low" value. There can be no assurance that the Company will be able to successfully implement the necessary actions to maintain or regain compliance with NYSE listing requirements or that any appeal of a decision to delist the Company's common stock would be successful.

Failure to maintain the Company's NYSE listing could negatively impact the Company and its shareholders by reducing the willingness of investors to hold the Company's common stock because of the resulting decreased price, liquidity and trading of the Company's common stock, limited availability of price quotations, and reduced news and analyst coverage. These developments may also require brokers trading in the Company's common stock to adhere to more stringent rules and may limit the Company's ability to raise capital by issuing additional shares in the future. Delisting may adversely impact the perception of the Company's financial condition, and cause reputational harm with investors and parties conducting business with the Company. The perceived decreased value of employee equity incentive awards may reduce their effectiveness in encouraging performance and retention.

The Company's business or the value of its common stock could be negatively affected as a result of actions by activist shareholders.

The Company values constructive input from investors and regularly engages in dialogue with its shareholders regarding strategy and performance. The Company's Board of Directors and management team are committed to acting in the best interests of all of the Company's shareholders. There is no assurance that the actions taken by the Board of Directors and management in seeking to maintain constructive engagement with the Company's shareholders will be successful.

Activist shareholders who disagree with the composition of the Board of Directors, the Company's strategy or the way the Company is managed may seek to effect change through various strategies that range from private engagement to publicity campaigns, proxy contests, efforts to force transactions not supported by the Board of Directors and litigation. Responding to some of these actions can be costly and time consuming, may disrupt the Company's operations and divert the attention of the Board of Directors, management and the Company's employees. Such activities could interfere with the Company's ability to execute its strategic plan and to attract and retain qualified executive leadership. The perceived uncertainty as to the Company's future direction resulting from activist strategies could also affect the market price and volatility of the Company's common stock.

Legal and Regulatory Risks

The Company is subject to laws and regulatory requirements in many jurisdictions. Changes in these laws and requirements, or interpretations of them, may result in additional costs to the Company, including the costs of compliance as well as potential penalties and fines for non-compliance.

Legislation on a local, regional, state, national or global level may have a negative effect on the Company's profitability or ability to operate its business. Compliance with certain legislation carries with it significant costs. The Company is subject to oversight by many governmental and quasi-governmental agencies in the course of operating its business because of its numerous locations, large number of associates, contact with consumers, importation and exportation of product and public company status. In addition, the Company is subject to a broad range of business regulations including consumer product quality and safety standards. Complying with new and existing laws and regulations may cause the Company to incur significant expenses, including the costs associated with financial reporting requirements, periodic audits and recalls. Any failure or alleged failure to comply may also result in damage to the Company's reputation or additional costs in the form of litigation, financial penalties and fines or business interruptions.

The Company conducts business in many jurisdictions, including foreign countries. In many of these jurisdictions, the Company may be required to comply with employment laws and pay or collect tariffs and duties, national, state and local sales taxes or similar taxes at the point of sale or delivery of merchandise and remit such amounts to the appropriate authorities. The Company is also subject to income taxes, excise taxes, franchise taxes, payroll taxes and other special taxes. The Company is also required to maintain various kinds of business and commercial licenses to operate its stores and other facilities. Rates of taxation are beyond the Company's control, and changes in such rates or taxation methods and rules could have a negative impact on the Company's financial results. Failure to comply with laws concerning the collection and remittance of taxes, duties and tariffs, and with licensing requirements could also subject the Company to financial penalties and fines or business interruptions.

The Company is subject to claims and litigation that are inherently unpredictable and could have a material adverse effect on the Company's business, financial condition and results.

The Company is subject to claims, lawsuits, inquiries, investigations and pending legal and administrative actions incident to the operations of its business. These actions can be initiated by employees, customers, vendors, competitors, holders of claimed intellectual property rights, shareholders, government agencies and others, individually or by groups through mass and class actions. While the Company generally considers these matters to be ordinary and routine in nature, budgets for their cost and maintains insurance or reserves against a portion of the costs of certain of these exposures, there can be no assurance that the Company will not

incur material unexpected costs, judgments or penalties, or material demands on management's time, attributable to these matters. The likely outcome and cost of litigation and other disputes is often difficult or impossible to determine or quantify. Claims may seek very large or unspecified amounts. The full extent of the Company's risk of loss relating to these matters may remain unknown for substantial periods of time as a decision at one level of the courts or administrative proceedings can be overturned by appeals to higher courts or other decisional bodies. The Company expends significant amounts for insurance, personnel costs and external advisors in an effort to limit exposures to these sources of claims and litigation, which costs are increasing. There is no assurance that these efforts will prove effective. Claims ultimately decided adversely to the Company, or settlements that the Company agrees to, may be very large and could have a material adverse effect on the Company's business, financial condition and results.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The Company leases its corporate headquarters, retail stores and the majority of its distribution and fulfillment centers. The Company has an operating lease for its corporate headquarters located in Fort Worth, Texas, which included approximately 408,000 square feet of office space as of March 2, 2019. Approximately 53,000 square feet of this office space was subleased at fiscal 2019 year end. Total gross square footage for all stores was 9.6 million and retail square footage was 7.7 million as of March 2, 2019. The following table sets forth the Company's U.S. and Canadian stores by state and province as of March 2, 2019:

United States					
Alabama	11	Louisiana	15	Ohio	27
Alaska	3	Maine	2	Oklahoma	6
Arizona	23	Maryland	21	Oregon	12
Arkansas	8	Massachusetts	20	Pennsylvania	37
California	99	Michigan	29	Rhode Island	2
Colorado	13	Minnesota	18	South Carolina	13
Connecticut	17	Mississippi	6	South Dakota	2
Delaware	4	Missouri	15	Tennessee	17
Florida	71	Montana	5	Texas	74
Georgia	26	Nebraska	4	Utah	7
Hawaii	7	Nevada	7	Vermont	1
Idaho	6	New Hampshire	6	Virginia	31
Illinois	33	New Jersey	31	Washington	25
Indiana	17	New Mexico	4	West Virginia	5
Iowa	8	New York	46	Wisconsin	18
Kansas	7	North Carolina	32	Wyoming	2
Kentucky	11	North Dakota	2		
Canada					
Alberta	12	New Brunswick	2	Ontario	33
British Columbia	13	Newfoundland	1	Saskatchewan	2
Manitoba	2	Nova Scotia	2		

The Company currently owns or leases distribution and fulfillment center space of approximately 5.4 million square feet. The Company also acquires temporary distribution center space periodically through short-term leases. As of March 2, 2019, the Company owned or leased under operating leases the following properties, which include distribution and/or fulfillment centers in or near the following cities:

Location	Approx. Sq. Ft.	Owned/Leased Facility
Baltimore, Maryland	1,278,000	Leased
Columbus, Ohio	1,166,000	Leased
Fort Worth, Texas	460,000	Owned
Fort Worth, Texas	310,000	Leased
Ontario, California	991,000	Leased
Savannah, Georgia	784,000	Leased
Tacoma, Washington	451,000	Leased

Item 3. Legal Proceedings.

See the discussion of pending legal proceedings in *Note 8* of the *Notes to Consolidated Financial Statements*.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Number of Holders of Record and Stock Symbol

The Company's common stock is traded on the NYSE under the symbol "PIR.BC." As of April 22, 2019, there were approximately 5,900 shareholders of record of the Company's common stock.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

December 2, 2018 through March 2, 2019 — The following table provides information with respect to purchases of common stock of the Company made during the three months ended March 2, 2019, by the Company or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (including fees)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Dec. 2, 2018 through Jan. 5, 2019	3,948	\$ —	—	\$ 26,610,135
Jan. 6, 2019 through Feb. 2, 2019	39,095	—	—	26,610,135
Feb. 3, 2019 through Mar. 2, 2019	—	—	—	26,610,135
	43,043	\$ —	—	\$ 26,610,135

(1) During the period, 43,043 shares of the Company's common stock were withheld from associates to satisfy tax withholding obligations that arose upon vesting of restricted stock granted pursuant to employment inducement awards and shareholder approved plans.

Fiscal years 2019, 2018 and 2017 — The following table summarizes the Company's total share repurchases of its common stock under the \$200 million board-approved share repurchase program announced on April 10, 2014, ("April 2014 program") for each of the last three fiscal years:

Date Program Announced	Authorized Amount	Shares Purchased			Weighted Average Cost	Remaining Available as of March 2, 2019
		Fiscal 2019	Fiscal 2018	Fiscal 2017		
Apr. 10, 2014	\$ 200,000,000	—	1,926,602	1,794,053	\$ 10.58 (1)	\$ 26,610,135

(1) Represents weighted average cost for all share repurchases under the April 2014 program.

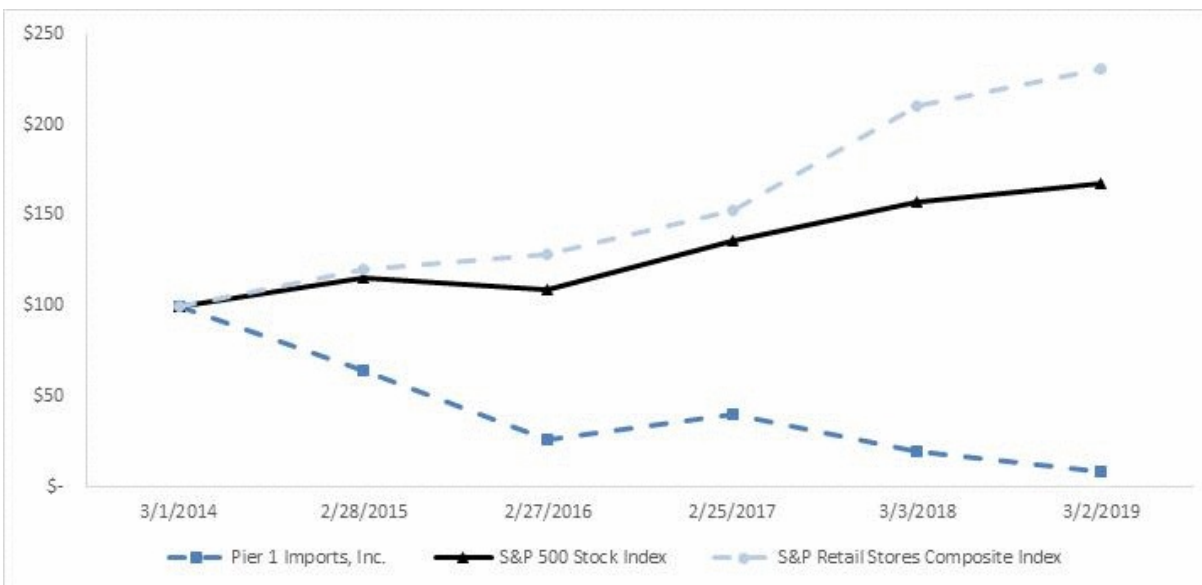
The Company discontinued share repurchases in April 2018. No share repurchases were made during fiscal 2019. As of March 2, 2019, \$26.6 million remained available for further share repurchases of common stock under the April 2014 program. There is no expiration date on the current authorization.

During fiscal 2019, the Company withheld 140,078 shares of its common stock from associates to satisfy tax withholding obligations that arose upon vesting of restricted stock granted pursuant to employment inducement awards and shareholder approved plans.

Performance Graph

The following graph compares the five-year cumulative total shareholder return for the Company's common stock against the Standard & Poor's 500 Stock Index and the Standard & Poor's Retail Stores Composite Index. The annual changes for the five-year period shown on the graph are based on the assumption, as required by SEC rules, that \$100 had been invested in the Company's common stock and in each index on March 1, 2014, and that dividends were reinvested. The total cumulative dollar returns shown on the graph represent the value that such investments would have had on March 2, 2019. The information used in the graph below was obtained from Bloomberg L.P.

PIER 1 IMPORTS, INC. STOCK PERFORMANCE GRAPH



Item 6. Selected Financial Data.

FINANCIAL SUMMARY

	Year Ended				
	2019	2018 ⁽¹⁾	2017	2016	2015
	(\$ in millions except per share amounts)				
SUMMARY OF OPERATIONS:					
Net sales	\$ 1,552.9	1,798.5	1,828.4	1,892.2	1,884.6
Gross profit	\$ 450.9	658.1	697.3	705.0	768.5
Selling, general and administrative expenses	\$ 587.5	576.0	581.8	576.7	590.3
Depreciation	\$ 51.5	53.6	54.6	50.9	46.3
Operating income (loss)	\$ (188.1)	28.6	60.9	77.3	131.9
Operating income (loss) as a % of sales	(12.1)%	1.6%	3.3%	4.1%	7.0%
Nonoperating (income) and expenses, net	\$ 13.3	10.7	15.7	14.1	11.5
Income (loss) before income taxes	\$ (201.4)	17.9	45.3	63.2	120.4
Net income (loss)	\$ (198.8)	11.6	30.1	39.6	75.2
PER SHARE AMOUNTS:					
Basic earnings (loss)	\$ (2.46)	0.14	0.37	0.47	0.83
Diluted earnings (loss)	\$ (2.46)	0.14	0.37	0.46	0.82
Cash dividends declared	\$ —	0.28	0.28	0.28	0.24
OTHER FINANCIAL DATA:					
Working capital	\$ 204.1	316.6	318.7	328.2	365.5
Current ratio	1.8	2.3	2.1	2.3	2.3
Total assets	\$ 656.3	772.3	843.1	819.2	906.9
Long-term debt ⁽²⁾	\$ 245.6	197.9	199.1	200.3	201.4
Shareholders' equity ⁽³⁾	\$ 89.5	277.6	292.0	284.8	337.3
Weighted average diluted shares outstanding (in millions) ⁽⁴⁾	80.7	80.3	81.0	85.4	92.1
Effective tax rate (%) ⁽⁵⁾	1.3%	35.0%	33.4%	37.3%	37.6%

(1) Fiscal 2018 consisted of a 53-week year. All other fiscal years presented reflect a 52-week year.

(2) The increase in long-term debt during fiscal 2019 relates to the amendment of the secured \$350 million Revolving Credit Facility to include a \$50 million FILO Tranche completed on December 14, 2018, as such terms are defined in Note 4 of the Notes to Consolidated Financial Statements. See Note 4 for more information.

(3) The decrease in shareholders' equity in fiscal 2019 primarily relates to the net loss of \$198.8 million for the year.

(4) The decrease in shares outstanding during fiscal 2018, 2017, 2016 and 2015 was primarily the result of the Company's board-approved share repurchase programs. Under these programs, the Company repurchased 1,926,602; 1,794,053; 7,460,935; and 10,280,312 shares of its common stock in fiscal 2018, 2017, 2016 and 2015, respectively. The Company discontinued share repurchases in April 2018. There were no share repurchases during fiscal 2019.

(5) The decrease in the effective tax rate during fiscal 2019 primarily relates to the Company's pre-tax loss in fiscal 2019, offset by the reassessment of the realizability of its deferred tax assets and the ability to recognize deferred tax assets for losses generated in fiscal 2019.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

MANAGEMENT OVERVIEW

Introduction

Pier 1 Imports, Inc. (together with its consolidated subsidiaries, the "Company") directly imports merchandise from many countries, and sells a wide variety of decorative accessories, furniture, candles, housewares, gifts and seasonal products in retail stores throughout the U.S. and Canada and online at pier1.com. Fiscal 2019 and 2017 both consisted of 52-week years which ended on March 2, 2019 and February 25, 2017, respectively. Fiscal 2018 consisted of a 53-week year which ended on March 3, 2018. As of March 2, 2019, the Company operated 973 stores in the U.S. and Canada. The following discussion and analysis of financial condition, results of operations, and liquidity and capital resources should be read in conjunction with the accompanying audited Consolidated Financial Statements and notes thereto, which can be found in Item 8 of this report.

On April 17, 2019, the Company announced that it is implementing an action plan designed to reset its gross margin and cost structure, including reinvesting in the business to reset its assortment strategy, build core competencies and talent, and drive long-term efficiencies. The Company expects to capture efficiencies and drive improvement in the following areas: 1) Revenue and Margin; 2) Marketing and Promotional Effectiveness; 3) Sourcing and Supply Chain; 4) Cost Cutting; and 5) Store Optimization.

Fiscal 2019 net sales decreased 13.7% from the prior year and company comparable sales decreased 11.0% as the average number of stores declined approximately 3.0%. The decline in company comparable sales is a result of lower average customer spend, which is primarily attributable to changes in the Company's merchandise mix, as well as decreased store traffic. In addition, the decline reflects challenges related to the Company's marketing program and delays in getting certain products into stores during a large portion of the fiscal year. The Company expects company comparable sales trends to remain soft in the first and second quarters of fiscal 2020, with gradual improvement over the course of the year.

Gross profit for fiscal 2019 was \$450.9 million, or 29.0% of sales, compared to \$658.1 million, or 36.6% of sales, in fiscal 2018, a decrease of 760 basis points. This decrease reflects lower merchandise margin, as well as 200 basis points of deleverage in store occupancy due to lower sales. The decline in merchandise margin is primarily attributable to lower input margins and increased promotional and clearance activity.

Operating loss for fiscal 2019 was \$188.1 million, or (12.1%) of sales, compared to operating income of \$28.6 million, or 1.6% of sales, in fiscal 2018. Net loss for fiscal 2019 was \$198.8 million, or \$(2.46) per share, which includes transformation costs of approximately \$19 million primarily related to professional fees and severance costs. Net income for fiscal 2018 was \$11.6 million, or \$0.14 per share, and adjusted net income (non-GAAP) was \$16.8 million, or \$0.21 per share. Adjusted net income (non-GAAP) for fiscal 2018 excludes \$6.6 million (\$5.2 million, or \$0.07 per share, net of tax) of expense for legal and regulatory costs relating to a California wage-and-hour matter and an ongoing Consumer Product Safety Commission ("CPSC") inquiry. EBITDA (earnings before interest, taxes, depreciation and amortization) for fiscal 2019 was \$(136.7) million, and includes the transformation costs referred to above. This compares to EBITDA of \$82.7 million, and adjusted EBITDA of \$89.3 million, in fiscal 2018 as adjusted for the legal and regulatory costs described above. See "Reconciliation of Non-GAAP Financial Measures" below.

The Company closed 30 and 15 stores, on a net basis, during fiscal 2019 and fiscal 2018, respectively. The Company is considering closing up to 45 locations in fiscal 2020 as leases expire.

During fiscal 2019, the Company utilized \$36.4 million of cash for capital expenditures, which was deployed toward technology and infrastructure initiatives, distribution and fulfillment centers and new and existing stores. The Company also made investments in selling, general and administrative ("SG&A") expenditures in the areas of marketing, corporate services and facilities planning and store operations.

The Company amended its secured Revolving Credit Facility to include a new \$50 million FILO Tranche (as such terms are defined in *Note 4* of the *Notes to Consolidated Financial Statements*), which was completed and funded on December 14, 2018, expanding the Revolving Credit Facility from \$350 million to \$400 million and modifying the borrowing base.

As of March 2, 2019, the Company had \$191.0 million outstanding under its \$200 million senior secured term loan facility ("Term Loan Facility") that matures on April 30, 2021, \$50 million of borrowings under the FILO Tranche and no cash borrowings under the revolving portion of the Revolving Credit Facility. See "Liquidity and Capital Resources — Revolving Credit Facility" and "Liquidity and Capital Resources — Term Loan Facility" below for more information.

On December 18, 2018, Alasdair B. James, the Company's former President and Chief Executive Officer, stepped down from the Company, and the Board of Directors of the Company appointed Cheryl A. Bachelder, a director of the Company, to the position of Interim Chief Executive Officer effective immediately. Ms. Bachelder continues to serve as a member of the Board of Directors.

On December 19, 2018, the Company announced that the Board of Directors initiated a process to evaluate a full range of strategic alternatives to enhance shareholder value and retained Credit Suisse to assist in that effort.

Overview of Business

The Company's key financial and operational indicators used by management to evaluate the performance of the business include the following (trends for these indicators are explained in the comparative discussions below).

Key Performance Indicators	2019	2018 ⁽¹⁾	2017
Total sales decline	(13.7%)	(1.6%)	(3.4%)
Company comparable sales decline (2)	(11.0%)	(2.0%)	(1.0%)
Gross profit as a % of sales	29.0%	36.6%	38.1%
SG&A expenses as a % of sales	37.8%	32.0%	31.8%
Operating income (loss) as a % of sales	(12.1%)	1.6%	3.3%
Net income (loss) (in millions)	\$ (198.8)	\$ 11.6	\$ 30.1
Net income (loss) as a % of sales	(12.8%)	0.6%	1.6%
EBITDA (in millions) (3)	\$ (136.7)	\$ 82.7	\$ 110.6
EBITDA as a % of sales (3)	(8.8%)	4.6%	6.0%
Total retail square footage (in thousands)	7,693	7,934	8,048

(1) Fiscal 2018 consisted of a 53-week year. All other fiscal years presented reflect a 52-week year.

(2) All fiscal years were calculated on a 52-week basis.

(3) See "Reconciliation of Non-GAAP Financial Measures."

Company Comparable Sales Calculation — The company comparable sales calculation includes all in-store sales, including orders placed online inside the store, provided that the store was open prior to the beginning of the preceding fiscal year and was still open at period end. In addition, company comparable sales include all orders placed online outside of a store. Remodeled or relocated stores are included if they meet specific criteria. Those criteria include the following: the new store is within a specified distance serving the same market, no significant change in store size, and no significant overlap or gap between the store closing and reopening. Such stores are included in the company comparable sales calculation in the first full month after the reopening. If a relocated or remodeled store does not meet the above criteria, it is excluded from the calculation until it meets the Company's established definition as described above.

FISCAL YEARS ENDED MARCH 2, 2019 AND MARCH 3, 2018

Net Sales

Net sales consisted almost entirely of sales to retail customers, net of discounts and returns, but also included delivery revenues, wholesale sales and royalties, and gift card breakage. Net sales during fiscal 2019 were \$1.553 billion for the 52-week period, a decrease of 13.7%, from \$1.799 billion in the prior 53-week fiscal year. At the end of fiscal 2019, the Company operated 30 fewer stores than at the end of fiscal 2018. Company comparable sales (on a 52-week basis) for fiscal 2019 decreased 11.0% as compared to prior year. The decline in company comparable sales is a result of lower average customer spend, which is primarily attributable to changes in the Company's merchandise mix, as well as decreased store traffic. In addition, the decline reflects challenges related to the Company's marketing program and delays in getting certain products into stores during a large portion of the fiscal year. The Company expects company comparable sales trends to remain soft in the first and second quarters of fiscal 2020, with gradual improvement over the course of the year.

Sales at the Company's Canadian stores are subject to fluctuations in currency conversion rates. The year-over-year change in the value of the Canadian Dollar, relative to the U.S. Dollar, negatively impacted net sales by approximately 10 basis points and had no impact on company comparable sales. Sales on the Pier 1 rewards credit card comprised 32.4% of U.S. sales for fiscal 2019, compared to 36.6% in fiscal 2018. The Company's proprietary credit card program provides both economic and strategic benefits to the Company.

The decrease in net sales for fiscal 2019 was comprised of the following components (in thousands):

	Net Sales
Net sales for fiscal 2018 (1)	\$ 1,798,522
Incremental sales growth (decline) from:	
Company comparable sales (2)	(191,883)
New stores opened during fiscal 2019	23
Stores opened during fiscal 2018	3,105
Closed stores and other (2)	(56,829)
Net sales for fiscal 2019 (1)	\$ 1,552,938

(1) Fiscal 2018 consisted of a 53-week year, compared to a 52-week year for fiscal 2019. Net sales for fiscal 2018 included approximately \$27.5 million from the 53rd week.

(2) Comparable store sales for the 53rd week of fiscal 2018 are included in Closed Stores and Other.

A summary reconciliation of the Company's stores open at the beginning of fiscal 2019 and 2018 to the number open at the end of each period is as follows (openings and closings include relocated stores):

	United States	Canada	Total
Open at February 25, 2017	941	77	1,018
Openings	2	—	2
Closings	(15)	(2)	(17)
Open at March 3, 2018	928	75	1,003
Openings	1	—	1
Closings	(23)	(8)	(31)
Open at March 2, 2019	906	67	973

Gross Profit

Gross profit for fiscal 2019 was \$450.9 million, or 29.0% of sales, compared to \$658.1 million, or 36.6% of sales, in fiscal 2018, a decrease of 760 basis points. This decrease reflects lower merchandise margin, as well as 200 basis points of deleverage in store occupancy due to lower sales. The decline in merchandise margin is primarily attributable to lower input margins and increased promotional and clearance activity.

SG&A Expenses, Depreciation and Operating Income (Loss)

SG&A expenses were \$587.5 million in fiscal 2019, compared to \$576.0 million in fiscal 2018. As a percentage of sales, SG&A expenses were 37.8% in fiscal 2019 compared to 32.0% in fiscal 2018.

SG&A expenses are summarized in the table below (in millions):

	52 Weeks Ended March 2, 2019		53 Weeks Ended March 3, 2018	
	Expense	% Sales	Expense	% Sales
Compensation for operations	\$ 241.7	15.6%	\$ 239.9	13.3%
Operational expenses	82.9	5.3%	88.8	4.9%
Marketing	118.4	7.6%	105.6	5.9%
Other selling, general and administrative	144.4	9.3%	141.6	7.9%
Total selling, general and administrative	\$ 587.5	37.8%	\$ 576.0	32.0%

For fiscal 2019, marketing expenses included planned investments related to the Company's brand relaunch, which were offset by ongoing expense discipline throughout the organization. Fiscal 2019 SG&A expenses include transformation costs of approximately \$19 million primarily related to professional fees and severance costs. SG&A expenses for fiscal 2018 include expenses for legal and regulatory costs related to a California wage-and-hour matter and an ongoing CPSC inquiry, as well as investments in brand consulting totaling approximately \$12 million.

Depreciation for fiscal 2019 was \$51.5 million, compared to \$53.6 million in fiscal 2018. The decrease was primarily attributable to assets becoming fully depreciated and asset retirements, partially offset by additions.

Operating loss for fiscal 2019 was \$188.1 million, or (12.1%) of sales, compared to operating income of \$28.6 million, or 1.6% of sales, for fiscal 2018.

Income Taxes

The income tax benefit for fiscal 2019 was \$2.5 million, compared to income tax provision of \$6.3 million in fiscal 2018. The effective tax rate for fiscal 2019 was 1.3%, compared to 35.0% for fiscal 2018. The change in income tax provision (benefit) and the lower effective tax rate for fiscal 2019 primarily relates to the Company's pre-tax loss in fiscal 2019, compared to pre-tax income in the prior year, offset by the reassessment of the realizability of its deferred tax assets and the ability to recognize deferred tax assets for losses generated in fiscal 2019. The effective tax rate for fiscal 2018 was also impacted by certain non-deductible items recognized during the second quarter of fiscal 2018, including the CPSC matter referenced above, partially offset by certain favorable discrete items related to state income tax benefits and the provisional remeasurement of the Company's federal deferred tax assets and liabilities. See *Note 7* of the *Consolidated Financial Statements* for additional information.

Net Income (Loss) and EBITDA

Net loss in fiscal 2019, which consisted of 52 weeks, was \$198.8 million, or \$(2.46) per share, which includes transformation costs of approximately \$19 million primarily related to professional fees and severance costs. Net income in fiscal 2018, which consisted of 53 weeks, was \$11.6 million, or \$0.14 per share, and adjusted net income (non-GAAP), which excludes the legal and regulatory costs referenced above, totaled \$16.8 million, or \$0.21 per share. EBITDA for fiscal 2019 was \$(136.7) million, and includes the transformation costs referred to above. This compares to EBITDA of \$82.7 million, and adjusted EBITDA of \$89.3 million, in fiscal 2018 as adjusted for legal and regulatory costs described above. See "*Reconciliation of Non-GAAP Financial Measures*."

FISCAL YEARS ENDED MARCH 3, 2018 AND FEBRUARY 25, 2017

Net Sales

Net sales consisted almost entirely of sales to retail customers, net of discounts and returns, but also included delivery revenues, wholesale sales and royalties, and gift card breakage. Net sales during fiscal years 2018 and 2017 were as follows (in thousands):

	2018	2017
Retail sales	\$ 1,785,989	\$ 1,816,402
Other (1)	12,533	12,044
Net sales	\$ 1,798,522	\$ 1,828,446

(1) The Company supplies merchandise and licenses the Pier 1 Imports name to Grupo Sanborns, which sells Pier 1 Imports merchandise primarily in a "store within a store" format in Mexico and El Salvador and online in Mexico. Other sales consisted primarily of these wholesale sales and royalties received from Grupo Sanborns, as well as gift card breakage.

Net sales during fiscal 2018 were \$1.799 billion for the 53-week period, a decrease of 1.6%, from \$1.828 billion in the prior 52-week fiscal year. At the end of fiscal 2018, the Company operated 15 fewer stores than at the end of fiscal 2017. Company comparable sales for fiscal 2018 (on a 52-week basis) decreased 2.0% as compared to prior year, primarily resulting from decreased store traffic and average ticket, partially offset by higher conversion.

Sales at the Company's Canadian stores are subject to fluctuations in currency conversion rates. The year-over-year change in the value of the Canadian Dollar, relative to the U.S. Dollar, positively impacted net sales and company comparable sales by approximately 20 basis points and 10 basis points, respectively, in fiscal 2018. Sales on the Pier 1 rewards credit card comprised 36.6% of U.S. sales for both fiscal 2018 and fiscal 2017. The Company's proprietary credit card program provides both economic and strategic benefits to the Company.

The decrease in net sales for fiscal 2018 was comprised of the following components (in thousands):

	Net Sales
Net sales for fiscal 2017	\$ 1,828,446
Incremental sales growth (decline) from:	
Company comparable sales (1)	(36,029)
New stores opened during fiscal 2018	1,213
Stores opened during fiscal 2017	1,409
Closed stores and other (1)	3,483
Net sales for fiscal 2018	\$ 1,798,522

(1) Comparable store sales for the 53rd week of fiscal 2018 are included in Closed Stores and Other.

A summary reconciliation of the Company's stores open at the beginning of fiscal 2018 and 2017 to the number open at the end of each period is as follows (openings and closings include relocated stores):

	United States	Canada	Total
Open at February 27, 2016	953	79	1,032
Openings	7	—	7
Closings	(19)	(2)	(21)
Open at February 25, 2017	941	77	1,018
Openings	2	—	2
Closings	(15)	(2)	(17)
Open at March 3, 2018	928	75	1,003

Gross Profit and Merchandise Margin

Gross profit for fiscal 2018 was \$658.1 million, or 36.6% of sales, compared to \$697.3 million, or 38.1% of sales, in fiscal 2017, a decrease of 150 basis points. The year-over-year decline in merchandise margin is primarily attributable to higher promotional activity, partially offset by supply chain cost savings. Store occupancy costs decreased in dollars during fiscal 2018; however, as a percentage of sales, these costs deleveraged to 16.2% compared to 16.0% during fiscal 2017 as a result of lower sales.

SG&A Expenses, Depreciation and Operating Income

SG&A expenses were \$576.0 million in fiscal 2018, compared to \$581.8 million in fiscal 2017. As a percentage of sales, SG&A expenses were 32.0% in fiscal 2018 compared to 31.8% in fiscal 2017. SG&A expenses are summarized in the table below (in millions):

	53 Weeks Ended March 3, 2018		52 Weeks Ended February 25, 2017	
	Expense	% Sales	Expense	% Sales
Compensation for operations	\$ 239.9	13.3%	\$ 249.7	13.7%
Operational expenses	88.8	4.9%	87.6	4.8%
Marketing	105.6	5.9%	104.4	5.7%
Other selling, general and administrative	141.6	7.9%	140.1	7.7%
Total selling, general and administrative	\$ 576.0	32.0%	\$ 581.8	31.8%

The year-over-year decrease in the dollar amount of SG&A expenses was primarily attributable to reductions in store compensation. The decrease was primarily offset by approximately \$12 million for legal and regulatory costs related to a California wage-and-hour matter and an ongoing CPSC inquiry (referenced in *Note 8* of the *Consolidated Financial Statements – Commitments and Contingencies*), as well as investments in brand consulting. Other selling, general and administrative expenses in fiscal 2017 include approximately \$6 million of costs associated with the departure of the Company's former CEO and approximately \$7 million for incremental legal and advisory fees, CEO transition costs, including CEO search fees and retention program awards to executives, and certain costs for subleasing portions of the corporate headquarters.

Depreciation for fiscal 2018 was \$53.6 million, compared to \$54.6 million in fiscal 2017. The decrease was primarily attributable to assets becoming fully depreciated, partially offset by additions and accelerated depreciation for certain assets.

In fiscal 2018, the Company recorded operating income of \$28.6 million, or 1.6% of sales, compared to \$60.9 million, or 3.3% of sales, for fiscal 2017.

Income Taxes

The income tax provision for fiscal 2018 was \$6.3 million, compared to \$15.1 million in fiscal 2017. The decrease was primarily due to the Company's lower income before income taxes in fiscal 2018. The effective tax rate for fiscal 2018 was 35.0%, compared to 33.4% for fiscal 2017. The higher effective tax rate primarily relates to the impact of certain non-deductible items recognized in the second quarter of fiscal 2018, including the CPSC matter referenced above, partially offset by certain favorable discrete items related to state income tax benefits and the provisional remeasurement of the Company's federal deferred tax assets and liabilities.

The Tax Cuts and Jobs Act of 2017 ("Tax Act"), as signed by the President of the United States on December 22, 2017, significantly revised U.S. tax law. See *Note 7* to the *Consolidated Financial Statements* for additional information.

Net Income and EBITDA

Net income in fiscal 2018, which consisted of 53 weeks, was \$11.6 million, or \$0.14 per share. Adjusted net income (non-GAAP) for fiscal 2018, which excludes the legal and regulatory costs referenced above, totaled \$16.8 million, or \$0.21 per share. For fiscal 2017, which consisted of 52 weeks, net income was \$30.1 million, or \$0.37 per share, and adjusted net income (non-GAAP) was \$35.7 million, or \$0.44 per share. Adjusted net income for the fiscal 2017 period excludes costs related to the departure of the Company's former CEO and the related tax benefit. EBITDA for fiscal 2018 was \$82.7 million and adjusted EBITDA was \$89.3 million after excluding the legal and regulatory costs referenced above. This compares to EBITDA of \$110.6 million, and adjusted EBITDA of \$120.4 million, in fiscal 2017 as adjusted for costs related to the departure of a former CEO who left the Company during fiscal 2017. See *"Reconciliation of Non-GAAP Financial Measures."*

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The Company reports its financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). This Annual Report on Form 10-K references non-GAAP financial measures including adjusted net income (loss), adjusted earnings (loss) per share, EBITDA and adjusted EBITDA.

The Company believes the non-GAAP financial measures referenced in this Annual Report on Form 10-K allow management and investors to understand and compare results in a more consistent manner for the fiscal years ended March 2, 2019, March 3, 2018 and February 25, 2017. Non-GAAP financial measures should be considered supplemental and not a substitute for the Company's results reported in accordance with GAAP for the periods presented.

EBITDA represents earnings before interest, taxes, depreciation and amortization. Management believes EBITDA is a meaningful indicator of the Company's performance which provides useful information to investors regarding its financial condition and results of operations. Management uses EBITDA, together with financial measures prepared in accordance with GAAP, to assess the Company's operating performance, to enhance its understanding of core operating performance and to compare the Company's operating performance to other retailers. EBITDA should not be considered in isolation or used as an alternative to GAAP financial measures and

does not purport to be an alternative to net income (loss) as a measure of operating performance. A reconciliation of net income (loss) to EBITDA is shown below for the periods indicated (in millions).

	52 Weeks Ended March 2, 2019		53 Weeks Ended March 3, 2018		52 Weeks Ended February 25, 2017	
	\$ Amount	% of Sales	\$ Amount	% of Sales	\$ Amount	% of Sales
Net income (loss) (GAAP)	\$ (198.8)	(12.8%)	\$ 11.6	0.6%	\$ 30.1	1.6%
Add back: Income tax provision (benefit)	(2.5)	(0.2%)	6.3	0.4%	15.1	0.9%
Interest expense, net	13.2	0.8%	11.2	0.6%	10.7	0.6%
Depreciation	51.5	3.3%	53.6	3.0%	54.6	3.0%
EBITDA (non-GAAP)	\$ (136.7)	(8.8%)	\$ 82.7	4.6%	\$ 110.6	6.0%

This Annual Report on Form 10-K also references adjusted net income (loss), adjusted earnings (loss) per share and adjusted EBITDA, each of which excludes legal and regulatory costs related to a California wage-and-hour matter and an ongoing CPSC inquiry in fiscal 2018 and costs related to the departure of the Company's former CEO in fiscal 2017. Management believes these non-GAAP financial measures are useful in comparing the Company's year-over-year operating performance and should be considered supplemental and not a substitute for the Company's net income (loss) and earnings (loss) per share results reported in accordance with GAAP for the periods presented. A reconciliation of net income (loss), earnings (loss) per share and EBITDA to adjusted net income (loss), adjusted earnings (loss) per share and adjusted EBITDA, respectively, is shown below (in millions except per share amounts).

	52 Weeks Ended March 2, 2019	53 Weeks Ended March 3, 2018	52 Weeks Ended February 25, 2017
Net income (loss) (GAAP)	\$ (198.8)	\$ 11.6	\$ 30.1
Add back: CEO departure-related costs, net of tax	—	—	5.6
Legal and regulatory matters, net of tax	—	5.2	—
Adjusted net income (loss) (non-GAAP)	\$ (198.8)	\$ 16.8	\$ 35.7
Earnings (loss) per share (GAAP)	\$ (2.46)	\$ 0.14	\$ 0.37
Add back: CEO departure-related costs, net of tax	—	—	0.07
Legal and regulatory matters, net of tax	—	0.07	—
Adjusted earnings (loss) per share (non-GAAP)	\$ (2.46)	\$ 0.21	\$ 0.44
EBITDA (non-GAAP)	\$ (136.7)	\$ 82.7	\$ 110.6
Add back: CEO departure-related costs	—	—	9.8
Legal and regulatory matters	—	6.6	—
Adjusted EBITDA (non-GAAP)	\$ (136.7)	\$ 89.3	\$ 120.4

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents totaled \$54.9 million at the end of fiscal 2019, a decrease of \$80.5 million from the fiscal 2018 year-end balance. The decrease was primarily the result of cash used in operating activities of \$98.8 million and the utilization of cash to fund the Company's capital expenditures of \$36.4 million, partially offset by borrowings of \$50.0 million under the FILO Tranche of the Revolving Credit Facility. See *Note 4* of the *Notes to Consolidated Financial Statements* for additional information.

The Company's cash and cash equivalents totaled \$135.4 million at the end of fiscal 2018, a decrease of \$19.1 million from the fiscal 2017 year-end balance. The decrease was primarily due to the utilization of cash to fund the Company's capital expenditures of \$53.2 million, and to return excess capital to shareholders, including \$22.3 million for cash dividends and \$10.0 million to repurchase shares of the Company's common stock under the April 2014 program, partially offset by cash provided by operating activities of \$65.8 million.

Cash Flows from Operating Activities

Operating activities used \$98.8 million of cash in fiscal 2019, primarily as a result of a net loss of \$198.8 million, partially offset by adjustments for non-cash items and an increase in accounts payable and other liabilities. The increase in accounts payable from the fiscal 2018 year end primarily resulted from changes in trade terms with certain vendors. Inventory levels at the end of fiscal 2019 were \$347.6 million, essentially flat compared to the \$347.4 million balance at the end of fiscal 2018.

Operating activities provided \$65.8 million of cash in fiscal 2018, primarily as a result of net income adjusted for non-cash items as well as a decrease in inventory. These items were partially offset by an increase in federal and state income tax payments and a supplemental retirement plan lump sum distribution payment of approximately \$24 million to a former CEO who left the Company during fiscal 2017. Inventory levels at the end of fiscal 2018 were \$347.4 million, a decrease of \$53.5 million, or 13.4%, from the end of fiscal 2017.

Cash Flows from Investing Activities

During fiscal 2019, the Company's investing activities used \$29.3 million of cash, primarily related to capital expenditures of \$36.4 million, which were deployed toward technology and infrastructure initiatives, distribution and fulfillment centers and new and existing stores, partially offset by net restricted investment activity. Capital spend in fiscal 2020 is expected to be approximately \$30 million.

During fiscal 2018, the Company's investing activities used \$51.6 million of cash. Total capital expenditures in fiscal 2018 were \$53.2 million, which were deployed toward technology and infrastructure initiatives, new and existing stores, and distribution and fulfillment centers.

Cash Flows from Financing Activities

Financing activities for fiscal 2019 provided \$48.2 million of cash, primarily resulting from borrowings of \$50.0 million under the FILO Tranche of the Revolving Credit Facility, partially offset by cash outflows for repayments of long-term debt and debt issuance costs.

Financing activities for fiscal 2018 used \$33.3 million of cash, primarily resulting from cash outflows of \$22.3 million for the payment of quarterly cash dividends of \$0.07 per share per quarter for each quarter of fiscal 2018, and \$10.0 million for repurchases of the Company's common stock pursuant to the April 2014 program. See "Share Repurchase Program" below for more information.

Revolving Credit Facility

In December 2018, the Company amended its Revolving Credit Facility to include a new \$50.0 million FILO Tranche. The Revolving Credit Facility continues to be secured primarily by the Company's eligible merchandise inventory and third-party credit card receivables and certain related assets on a first priority basis and by a second lien on substantially all other assets of certain of the Company's subsidiaries, subject to certain exceptions. During fiscal 2019, the Company had \$50.0 million in cash borrowings from the FILO Tranche referenced above and no cash borrowings under the revolving portion of the Revolving Credit Facility. Credit extensions under the Revolving Credit Facility are limited to the lesser of \$350.0 million or the amount of the calculated borrowing base, which was \$279.6 million as of March 2, 2019. Under the Revolving Credit Facility, the Company had \$41.6 million in letters of credit and bankers' acceptances outstanding, with \$238.0 million remaining available for cash borrowings, all as of March 2, 2019. See *Note 4* of the *Notes to Consolidated Financial Statements* for more information regarding the Revolving Credit Facility and the FILO Tranche.

Term Loan Facility

The Company has a senior secured term loan facility that matures on April 30, 2021 ("Term Loan Facility"). As of March 2, 2019, the Company had \$191.0 million outstanding under the Term Loan Facility with a carrying value of \$189.3 million, net of unamortized discounts and debt issuance costs. See *Note 4* of the *Notes to Consolidated Financial Statements* for more information regarding the Term Loan Facility.

Share Repurchase Program

The Company discontinued share repurchases under the April 2014 program in April 2018. No share repurchases were made during fiscal 2019.

During fiscal 2018, the Company repurchased 1,926,602 shares of its common stock under the April 2014 program at a weighted average cost of \$5.19 per share for a total cost of \$10.0 million. As of March 3, 2018, the Company had repurchased 16,390,090 shares of its common stock under the April 2014 program at a weighted average cost of \$10.58 per share for a total cost of \$173.4 million and \$26.6 million remained available for further share repurchases.

Contractual Obligations

A summary of the Company's contractual obligations and other commercial commitments as of March 2, 2019, is listed below (in thousands):

	Total	Amount of Commitment per Period			
		Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
Operating leases	\$ 928,481	\$ 225,845	\$ 353,966	\$ 210,116	\$ 138,554
Purchase obligations (1)	80,177	80,177	—	—	—
Standby letters of credit (2)	31,927	31,927	—	—	—
Industrial revenue bonds (2)	9,500	—	—	—	9,500
Interest on industrial revenue bonds (3)	1,296	167	334	334	461
Interest and related fees on Revolving Credit Facility (4)	4,217	1,291	2,583	343	—
FILO Tranche (5)	50,000	—	3,063	46,937	—
Interest and related fees on FILO Tranche (5)	14,650	4,628	8,851	1,171	—
Term loan facility (6)	191,000	2,000	189,000	—	—
Interest and related fees on term loan facility (6)	26,278	12,192	14,086	—	—
Other obligations (7) (8)	20,257	4,226	2,440	2,192	11,399
Total	\$ 1,357,783	\$ 362,453	\$ 574,323	\$ 261,093	\$ 159,914

(1) As of March 2, 2019, the Company had approximately \$80.2 million of outstanding purchase orders, which were primarily related to merchandise inventory. Such orders are generally cancelable at the discretion of the Company until the order has been shipped. The table above excludes certain executory contracts for goods and services that tend to be recurring in nature and similar in amount year over year.

(2) The Company also has an outstanding standby letter of credit totaling \$9.7 million related to the Company's industrial revenue bonds. This amount is excluded from the table above as it is not incremental to the Company's total outstanding commitments.

(3) The interest rates on the Company's industrial revenue bonds are variable and reset weekly. The estimated interest payments included in the table were calculated based upon the rate in effect at fiscal 2019 year end and exclude fees for the related standby letter of credit, as these fees are included in interest and related fees on the Revolving Credit Facility.

(4) Represents estimated commitment fees for trade and standby letters of credit, and unused balance fees on the Company's Revolving Credit Facility. Fees are calculated based upon balances at fiscal 2019 year end and the applicable rates in effect under the terms of the Revolving Credit Facility.

(5) The interest rates on the Company's FILO Loan and ABL Term Loan included in the FILO Tranche are variable. The estimated interest payments included in the table were calculated based upon the rate in effect at fiscal 2019 year end. Beginning June 30, 2020, a principal reduction in the amount of approximately \$0.4 million will be made on the last day of each calendar quarter. The FILO Loan and ABL Term Loan included in the FILO Tranche mature on June 2, 2022.

(6) The interest rates on the Company's Term Loan Facility are variable. The estimated interest payments included in the table were calculated based upon the rate in effect at fiscal 2019 year end. Currently, a principal reduction in the amount of \$0.5 million is made on the last day of each calendar quarter, reducing principal by \$2.0 million annually. The Term Loan Facility matures on April 30, 2021.

(7) Other obligations include various commitments including the Company's liability under its unfunded retirement plans.

(8) Excluded from this table, but recorded on the Company's balance sheet, is the portion of reserves for unrecognized tax benefits of \$3.7 million for which the Company is not reasonably able to estimate when or if cash settlement with the respective taxing authority will occur.

The Company has an umbrella trust which was established for the purpose of setting aside funds to be used to settle certain benefit plan obligations. The trusts' assets are included in other noncurrent assets and are comprised of investments and life insurance policies. The investments totaled \$5.1 million and \$9.8 million at March 2, 2019 and March 3, 2018, respectively. The investments were held primarily in mutual funds and are stated at fair value. The trust owns and is the beneficiary of life insurance policies on the lives of former key executives. The cash surrender value of the policies was approximately \$6.3 million and \$6.2 million as of March 2, 2019 and March 3, 2018, respectively, and the death benefit was approximately \$11.4 million as of March 2, 2019 and March 3, 2018.

In addition, the Company owns and is the beneficiary of a number of insurance policies on the lives of former key executives that were unrestricted as to use at the end of fiscal 2019. The cash surrender value of the unrestricted policies was approximately \$14.3 million and \$14.1 million at March 2, 2019 and March 3, 2018, respectively, and was included in other noncurrent assets. These policies had a death benefit of approximately \$20.5 million and \$20.4 million as of March 2, 2019 and March 3, 2018, respectively. At the discretion of the Company's Board of Directors, contributions of cash or unrestricted life insurance policies may be made to the trust.

Sources and Uses of Working Capital

The Company's sources of working capital for fiscal 2019 were primarily cash from operations, available cash balances, improved vendor payment terms and the \$50 million FILO Tranche. The Company's sources for liquidity include cash from operations, available cash balances and, as needed, borrowings against the Company's Revolving Credit Facility. The Company's current plans for fiscal 2020 include a capital expenditure plan lower than fiscal 2019 and planned savings from margin improvement and cost cutting partially offset by reinvestments to reset the assortment strategy, build core competencies and talent and drive long-term efficiencies. The Company does not presently anticipate any other significant cash outflows in fiscal 2020 other than those discussed herein or those occurring in the normal course of business.

The Company's key drivers of cash flows are sales, management of inventory levels, vendor payment terms, management of expenses and capital expenditures. The Company's focus is on improving brand proposition, driving sales growth and capturing operating efficiencies. While there can be no assurance that the Company will return to positive cash flows or profitability, given the Company's current cash position, expected operating cash flows and borrowings available under the Revolving Credit Facility, the Company expects to have sufficient liquidity to fund its obligations, including debt-related payments and capital expenditure requirements, through the next 12 months.

OFF-BALANCE SHEET ARRANGEMENTS

Other than the operating leases, letters of credit and purchase obligations discussed above, the Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States requires the use of estimates that affect the reported value of assets, liabilities, revenues and expenses. These estimates are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for the Company's conclusions. The Company continually evaluates the information used to make these estimates as the business and the economic environment changes. Historically, actual results have not varied materially from the Company's estimates. The Company does not currently anticipate a significant change in its assumptions related to these estimates. Actual results may differ from these estimates under different assumptions or conditions. The Company's significant accounting policies can be found in *Note 1 of the Notes to Consolidated Financial Statements*. The policies and estimates discussed below include the financial statement elements that are judgmental and are material to the Company's financial statements. Unless specifically addressed below, the Company does not believe that its critical accounting policies subject the Company to market risk exposure that would be considered material, and, as a result, has not provided a sensitivity analysis. The use of estimates is pervasive throughout the consolidated financial statements, but the accounting policies and estimates considered most critical are as follows:

Revenue recognition — Revenue is recognized upon customer receipt or delivery for retail sales. A reserve has been established for estimated merchandise returns based upon historical experience and other known factors. Should actual returns differ from the Company's estimated reserve for merchandise returns, revisions to the estimate may be required. The Company's revenues are reported net of discounts and returns, net of sales tax, and include wholesale sales and royalties. Amounts charged to customers for shipping and handling are included in net sales.

Gift cards — Revenue associated with gift cards is recognized when merchandise is sold and a gift card is redeemed as payment. Prior to fiscal 2019, gift card breakage was estimated and recorded as income based upon an analysis of the Company's historical data and expected trends in redemption patterns and represented the remaining non-escheatable unused portion of the gift card liability for which the likelihood of redemption was remote. During fiscal 2019, the Company adopted new revenue recognition guidance and began recognizing gift card breakage over the expected redemption period rather than when the likelihood of redemption was remote. If actual redemption patterns vary from the Company's estimates or if laws or regulations change, actual gift card breakage may differ from the amounts recorded.

Inventories — The Company's inventory is comprised of finished merchandise and is stated at the lower of weighted average cost and net realizable value. The calculation of cost includes merchandise purchases, the costs to bring the merchandise to distribution centers, warehousing and handling expenditures, and distributing and delivering merchandise to stores and fulfillment centers (direct and indirect). These costs include depreciation of long-lived assets utilized in acquiring, warehousing and distributing inventory. Carrying values of inventory are analyzed and, to the extent that the cost of inventory exceeds the expected selling prices less reasonable costs to sell, provisions are made to reduce the carrying amount of the inventory. The Company reviews its inventory levels in order to identify slow-moving merchandise and uses merchandise markdowns to sell such merchandise, as needed. Since the determination of net realizable value of inventory involves both estimation and judgment with regard to market values and reasonable costs to sell, differences in these estimates could result in ultimate valuations that differ from the recorded asset. The majority of inventory purchases and commitments are made in U.S. dollars in order to limit the Company's exposure to foreign currency fluctuations.

The Company recognizes known inventory losses, shortages and damages when incurred and maintains a reserve for estimated shrinkage since the last physical count, when actual shrinkage was recorded. The amount of the reserve is estimated based on historical experience from the results of its physical inventories. Inventory is physically counted at substantially all locations at least once in each twelve-month period, at which time actual results are reflected in the financial statements. Physical counts were taken at substantially all stores and distribution and fulfillment centers during each period presented in the financial statements. Although inventory shrinkage rates have not fluctuated significantly in recent years, should actual rates differ from the Company's estimates, revisions to the inventory shrinkage expense may be required.

Insurance provision — The Company maintains insurance for workers' compensation and general liability claims with deductibles of \$1.0 million and \$0.5 million per occurrence, respectively. The liability recorded for such claims is determined by estimating the total future claims cost for events that occurred prior to the balance sheet date. The estimates consider historical claims loss development factors as well as information obtained from and projections made by the Company's broker, actuary, insurance carriers and third-party claims administrators. The recorded liabilities for workers' compensation and general liability claims include claims occurring in prior years but not yet settled and reserves for fees.

The assumptions made in determining the above estimates are reviewed monthly and the liability adjusted accordingly as new facts are developed. Changes in circumstances and conditions affecting the assumptions used in determining the liabilities could cause actual results to differ from the Company's recorded amounts.

Income taxes — The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are recorded in the Company's consolidated balance sheets and are classified as noncurrent. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized. In assessing the need for a valuation allowance, all available evidence is considered including past operating results, estimates of future income and tax planning strategies. The Company is subject to income tax in many jurisdictions, including the United States, various

states, provinces, localities and foreign countries, for which the Company records estimated reserves for unrecognized tax benefits for both domestic and foreign income tax issues. At any point in time, multiple tax years are subject to audit by these various jurisdictions. The timing of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. If different assumptions had been used, the Company's tax expense or benefit, assets and liabilities could have varied from recorded amounts. If actual results differ from estimated results or if the Company adjusts these assumptions in the future, the Company may need to adjust its reserves for unrecognized tax benefits or its deferred tax assets or liabilities, which could impact its effective tax rate.

IMPACT OF INFLATION AND CHANGING PRICES

Inflation has not had a significant impact on the operations of the Company during the preceding three fiscal years. However, the Company's management cannot be certain of the effect inflation may have on the Company's operations in the future.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Market risks relating to the Company's operations result primarily from changes in interest rates. Collectively, the Company's exposure to market risk factors is not significant and has not materially changed from March 3, 2018.

Interest Rate Risk

The Company manages its exposure to changes in interest rates by optimizing the use of variable rate debt. The expected interest rate exposure on the Company's Revolving Credit Facility, Term Loan Facility and industrial revenue bonds is based upon variable interest rates and therefore is affected by changes in market interest rates. As of March 2, 2019, the Company had \$198.7 million (net of unamortized discounts and debt issuance costs) in long-term debt outstanding related to its Term Loan Facility and industrial revenue bonds and \$48.9 million (net of debt issuance costs) in borrowings outstanding under the FILO Tranche of its Revolving Credit Facility. The Company expects to pay interest totaling approximately \$12.4 million per year on the Term Loan Facility based upon rates in effect at the end of fiscal 2019. A hypothetical 100 basis point increase in the interest rate would result in approximately \$1.7 million of additional interest expense per year under the Term Loan Facility. The Company expects to pay interest totaling approximately \$4.7 million per year on the FILO Tranche of its Revolving Credit Facility based upon rates in effect at the end of fiscal 2019. A hypothetical 100 basis point increase in the interest rate would result in approximately \$0.4 million of additional interest expense per year under the FILO Tranche of its Revolving Credit Facility.

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Pier 1 Imports, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Pier 1 Imports, Inc. (the Company) as of March 2, 2019 and March 3, 2018, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows, for each of the three years in the period ended March 2, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 2, 2019 and March 3, 2018, and the results of its operations and its cash flows for each of the three years in the period ended March 2, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 2, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 29, 2019 expressed an unqualified opinion thereon.

Adoption of New Accounting Standard

As discussed in Note 1 to the consolidated financial statements, the Company changed its method for accounting for gift card breakage in the first quarter of fiscal year 2019 in connection with the adoption of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), as amended.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1996.

Fort Worth, Texas
April 29, 2019

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share amounts)

	52 Weeks Ended March 2, 2019	53 Weeks Ended March 3, 2018	52 Weeks Ended February 25, 2017
Net sales	\$ 1,552,938	\$ 1,798,522	\$ 1,828,446
Cost of sales	1,102,035	1,140,372	1,131,138
Gross profit	450,903	658,150	697,308
Selling, general and administrative expenses	587,459	575,953	581,770
Depreciation	51,529	53,603	54,603
Operating income (loss)	(188,085)	28,594	60,935
Nonoperating (income) and expenses:			
Interest, investment income and other	(2,000)	(1,665)	3,603
Interest expense	15,294	12,362	12,073
	13,294	10,697	15,676
Income (loss) before income taxes	(201,379)	17,897	45,259
Income tax provision (benefit)	(2,546)	6,271	15,130
Net income (loss)	\$ (198,833)	\$ 11,626	\$ 30,129
Earnings (loss) per share:			
Basic	\$ (2.46)	\$ 0.14	\$ 0.37
Diluted	\$ (2.46)	\$ 0.14	\$ 0.37
Dividends declared per share:	\$ —	\$ 0.28	\$ 0.28
Average shares outstanding during period:			
Basic	80,708	80,223	80,919
Diluted	80,708	80,254	80,984

The accompanying notes are an integral part of these financial statements.

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

	52 Weeks Ended March 2, 2019	53 Weeks Ended March 3, 2018	52 Weeks Ended February 25, 2017
Net income (loss)	\$ (198,833)	\$ 11,626	\$ 30,129
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments, net of taxes of \$0, \$(167) and \$60, respectively	(1,096)	396	1,274
Pension adjustments, net of taxes of \$0, \$293 and \$(1,243), respectively	712	(459)	1,949
Other comprehensive income (loss)	(384)	(63)	3,223
Comprehensive income (loss)	\$ (199,217)	\$ 11,563	\$ 33,352

The accompanying notes are an integral part of these financial statements.

Pier 1 Imports, Inc.

CONSOLIDATED BALANCE SHEETS

(in thousands except share amounts)

	March 2, 2019	March 3, 2018
ASSETS		
Current assets:		
Cash and cash equivalents, including temporary investments of \$49,532 and \$115,456, respectively	\$ 54,878	\$ 135,379
Accounts receivable, net of allowance for doubtful accounts of \$251 and \$236, respectively	21,189	22,149
Inventories	347,584	347,440
Prepaid expenses and other current assets	49,876	48,794
Total current assets	473,527	553,762
Properties and equipment, net	149,356	178,767
Other noncurrent assets	33,407	39,790
	<u>\$ 656,290</u>	<u>\$ 772,319</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 121,969	\$ 71,279
Gift cards and other deferred revenue	37,655	55,281
Accrued income taxes payable	302	2,301
Current portion of long-term debt	2,000	2,000
Other accrued liabilities	107,539	106,268
Total current liabilities	269,465	237,129
Long-term debt	245,624	197,906
Other noncurrent liabilities	51,672	59,714
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.001 par, 500,000,000 shares authorized, 125,232,000 issued	125	125
Paid-in capital	138,350	168,424
Retained earnings	534,419	726,232
Cumulative other comprehensive loss	(7,861)	(7,477)
Less — 39,618,000 and 41,974,000 common shares in treasury, at cost, respectively	(575,504)	(609,734)
Total shareholders' equity	89,529	277,570
	<u>\$ 656,290</u>	<u>\$ 772,319</u>

The accompanying notes are an integral part of these financial statements.

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	52 Weeks Ended March 2, 2019	53 Weeks Ended March 3, 2018	52 Weeks Ended February 25, 2017
Cash flows from operating activities:			
Net income (loss)	\$ (198,833)	\$ 11,626	\$ 30,129
Adjustments to reconcile to net cash provided by (used in) operating activities:			
Depreciation	59,523	61,430	60,504
Stock-based compensation expense	2,756	3,809	8,228
Deferred compensation, net	4,169	2,414	8,438
Deferred income taxes	(3,071)	6,012	(19,645)
Excess tax benefit from stock-based awards	—	—	(312)
Other	3,615	2,111	8,301
Changes in cash from:			
Inventories	(540)	53,536	4,883
Prepaid expenses and other assets	3,348	(17,546)	863
Accounts payable and other liabilities	32,249	(33,829)	(5,697)
Accrued income taxes payable, net of payments	(2,014)	(23,757)	20,046
Net cash provided by (used in) operating activities	(98,798)	65,806	115,738
Cash flows from investing activities:			
Capital expenditures	(36,444)	(53,249)	(44,181)
Proceeds from disposition of properties	2,058	160	74
Proceeds from sale of restricted investments	12,063	27,562	3,409
Purchase of restricted investments	(6,927)	(26,082)	(2,375)
Net cash used in investing activities	(29,250)	(51,609)	(43,073)
Cash flows from financing activities:			
Cash dividends	—	(22,294)	(22,501)
Purchases of treasury stock	—	(10,000)	(10,566)
Stock purchase plan and other, net	1,400	2,307	1,329
Excess tax benefit from stock-based awards	—	—	312
Repayments of long-term debt	(2,000)	(2,000)	(2,000)
Debt issuance costs	(1,170)	(1,291)	—
Borrowings under revolving line of credit	—	8,000	38,000
Repayments of borrowings under revolving line of credit	—	(8,000)	(38,000)
Borrowings under FILO/ABL Term Loan	50,000	—	—
Net cash provided by (used in) financing activities	48,230	(33,278)	(33,426)
Effect of exchange rate changes on cash	(683)	—	—
Change in cash and cash equivalents	(80,501)	(19,081)	39,239
Cash and cash equivalents at beginning of period	135,379	154,460	115,221
Cash and cash equivalents at end of period	\$ 54,878	\$ 135,379	\$ 154,460
Supplemental cash flow information:			
Interest paid	\$ 14,668	\$ 11,750	\$ 12,219
Income taxes paid, net of refunds	\$ 2,864	\$ 24,388	\$ 13,077

The accompanying notes are an integral part of these financial statements.

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands)

	Common Stock				Cumulative Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
	Outstanding Shares	Amount	Paid-in Capital	Retained Earnings			
Balance February 27, 2016	83,472	\$ 125	\$ 211,019	\$ 729,537	\$ (10,637)	\$ (645,287)	\$ 284,757
Net income	—	—	—	30,129	—	—	30,129
Other comprehensive income	—	—	—	—	3,223	—	3,223
Purchases of treasury stock	(1,794)	—	—	—	—	(10,566)	(10,566)
Stock-based compensation expense	1,302	—	(12,077)	—	—	20,305	8,228
Exercise of stock options, stock purchase plan, and other	202	—	(7,441)	—	—	6,199	(1,242)
Cash dividends (\$0.28 per share)	—	—	—	(22,501)	—	—	(22,501)
Balance February 25, 2017	83,182	\$ 125	\$ 191,501	\$ 737,165	\$ (7,414)	\$ (629,349)	\$ 292,028
Net income	—	—	—	11,626	—	—	11,626
Other comprehensive loss	—	—	—	—	(63)	—	(63)
Purchases of treasury stock	(1,927)	—	—	—	—	(10,000)	(10,000)
Stock-based compensation expense	1,648	—	(19,845)	—	—	23,654	3,809
Stock purchase plan and other	355	—	(3,232)	(265)	—	5,961	2,464
Cash dividends (\$0.28 per share)	—	—	—	(22,294)	—	—	(22,294)
Balance March 3, 2018	83,258	\$ 125	\$ 168,424	\$ 726,232	\$ (7,477)	\$ (609,734)	\$ 277,570
Net loss	—	—	—	(198,833)	—	—	(198,833)
Cumulative effect of accounting change	—	—	—	7,020	—	—	7,020
Other comprehensive loss	—	—	—	—	(384)	—	(384)
Stock-based compensation expense	1,309	—	(14,591)	—	—	17,347	2,756
Stock purchase plan and other	1,047	—	(15,483)	—	—	16,883	1,400
Balance March 2, 2019	85,614	\$ 125	\$ 138,350	\$ 534,419	\$ (7,861)	\$ (575,504)	\$ 89,529

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Pier 1 Imports, Inc. (together with its consolidated subsidiaries, the “Company”) directly imports merchandise from many countries, and sells a wide variety of decorative accessories, furniture, candles, housewares, gifts and seasonal products in retail stores throughout the U.S. and Canada and online at www.pier1.com. Additionally, the Company has an arrangement to supply merchandise to be sold in “store within a store” locations in Mexico and El Salvador and online in Mexico that are operated by Sears Operadora de Mexico, S.A. de C.V. and Corporacion de Tiendas Internacionales, S.A. de C.V., respectively.

Basis of consolidation — The consolidated financial statements of the Company include the accounts of all subsidiaries, and all intercompany transactions and balances have been eliminated upon consolidation.

Segment information — The Company is a specialty retailer that offers a broad range of products in its stores and on its website and conducts business as one operating segment. During fiscal 2019, 2018 and 2017, the Company’s domestic operations provided approximately 94% of its net sales and approximately 6% was provided by stores in Canada. As of March 2, 2019, March 3, 2018 and February 25, 2017, \$3,918,000, \$3,107,000 and \$3,244,000, respectively, of the Company’s long-lived assets, net of accumulated depreciation, were located in Canada. There were no long-lived assets in Mexico or El Salvador during any period.

Use of estimates — Preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications — Certain items in these consolidated financial statements have been reclassified to conform to the current period presentation.

Fiscal periods — The Company utilizes 5-4-4 (week) quarterly accounting periods with the fiscal year ending on the Saturday closest to February 28th. Fiscal 2019 ended March 2, 2019, fiscal 2018 ended March 3, 2018, and fiscal 2017 ended February 25, 2017. Both fiscal 2019 and 2017 consisted of 52-week years and fiscal 2018 was a 53-week year.

Cash and cash equivalents, including temporary investments — The Company considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents, except for those investments that are restricted and have been set aside in trusts to satisfy retirement obligations and are classified as non-current assets. As of March 2, 2019 and March 3, 2018, the Company’s short-term investments classified as cash equivalents included investments primarily in mutual funds totaling \$49,532,000 and \$115,456,000, respectively. The effect of foreign currency exchange rate fluctuations on cash was not material.

Translation of foreign currencies — Assets and liabilities of foreign operations are translated into U.S. dollars at fiscal year-end exchange rates. Income and expense items are translated at average exchange rates prevailing during the year. Translation adjustments arising from differences in exchange rates from period to period are included as a separate component of shareholders’ equity and are included in other comprehensive income (loss). As of March 2, 2019, March 3, 2018 and February 25, 2017, the Company had cumulative other comprehensive loss balances, net of tax, of \$(9,150,000), \$(8,054,000) and \$(8,450,000), respectively, related to cumulative translation adjustments. The adjustments for currency translation during fiscal 2019, 2018 and 2017, resulted in other comprehensive income (loss), net of tax, as applicable, of \$(1,096,000), \$396,000 and \$1,274,000, respectively.

Concentrations of risk — The Company has risk of geographic concentration with respect to sourcing the Company’s inventory purchases. However, the Company believes alternative merchandise sources could be procured over a reasonable period of time. Pier 1 Imports sells merchandise imported from many countries, with approximately 60% of its sales derived from merchandise produced in China, 16% derived from merchandise produced in India and 17% collectively derived from merchandise produced in Vietnam, the United States and Indonesia. The remaining sales were from merchandise produced in various other countries around the world.

Financial instruments — The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. There were no assets or liabilities with a fair value significantly different from the recorded value as of March 2, 2019 or March 3, 2018, unless otherwise disclosed.

The Company may utilize various financial instruments to manage interest rate and market risk associated with its on- and off-balance sheet commitments.

Accounts receivable — The Company’s accounts receivable are stated at carrying value less an allowance for doubtful accounts. These receivables consist largely of third-party credit card receivables for which collection is reasonably assured. The remaining receivables are periodically evaluated for collectability and an allowance for doubtful accounts is recorded as appropriate.

Inventories — The Company’s inventory is comprised of finished merchandise and is stated at the lower of weighted average cost and net realizable value. The calculation of cost includes merchandise purchases, the costs to bring the merchandise to distribution centers, warehousing and handling expenditures, and distributing and delivering merchandise to stores and fulfillment centers (direct and indirect). These costs include depreciation of long-lived assets utilized in acquiring, warehousing and distributing inventory.

The Company recognizes known inventory losses, shortages and damages when incurred and maintains a reserve for estimated shrinkage since the last physical count, when actual shrinkage was recorded. The amount of the reserve is estimated based on historical experience from the results of its physical inventories. The reserves for estimated shrinkage at the end of fiscal 2019 and 2018 were \$3,069,000 and \$4,020,000, respectively.

Properties and equipment, net — Buildings, equipment, furniture and fixtures, and leasehold improvements are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated remaining useful lives of the assets, generally 30 years for buildings and three to ten years for equipment, furniture and fixtures, and three to five years for computer software. Depreciation of improvements to leased properties is based upon the shorter of the remaining primary lease term or the estimated useful lives of such assets. Depreciation for assets utilized in acquiring, warehousing, distributing and fulfilling inventory is included in cost of sales. All other depreciation costs are included in depreciation and were \$51,529,000, \$53,603,000 and \$54,603,000 in fiscal 2019, 2018 and 2017, respectively.

Expenditures for maintenance, repairs and renewals that do not materially prolong the original useful lives of the assets are charged to expense as incurred. In the case of disposals, assets and the related depreciation are removed from the accounts and the net amount, less proceeds from disposal, is credited or charged to income.

Long-lived assets are reviewed for impairment at least annually or whenever an event or change in circumstances indicates that their carrying values may not be recoverable. If the impairment analysis indicates that the carrying value of the assets exceeds the sum of the expected undiscounted cash flows, the assets may be considered impaired. For store level long-lived assets, expected cash flows are determined based on management's estimate of future sales, merchandise margin rates and expenses over the remaining expected terms of the leases. Impairment, if any, is recorded in the period in which the impairment occurred. The Company recorded impairment charges of \$1,261,000 in fiscal 2019 and \$2,934,000 in fiscal 2017, which were included in selling, general and administrative ("SG&A") expenses. The Company recorded no material impairment charges in fiscal 2018. As the projection of future cash flows requires the use of judgment and estimates, if actual results differ from the Company's estimates, additional charges for asset impairments may be recorded in the future.

Insurance provision — The Company maintains insurance for workers' compensation and general liability claims with deductibles of \$1,000,000 and \$500,000 per occurrence, respectively. The liability recorded for such claims is determined by estimating the total future claims cost for events that occurred prior to the balance sheet date. The estimates consider historical claims loss development factors as well as information obtained from and projections made by the Company's broker, actuary, insurance carriers and third-party claims administrators. The recorded liabilities for workers' compensation and general liability claims include claims occurring in prior years but not yet settled and reserves for fees. The recorded liability for workers' compensation claims and fees was \$26,682,000 and \$25,316,000 at March 2, 2019 and March 3, 2018, respectively. The recorded liability for general liability claims and fees was \$6,683,000 and \$6,687,000 at March 2, 2019 and March 3, 2018, respectively.

Revenue recognition — Revenue is recognized upon customer receipt or delivery for retail sales. The Company's revenues are reported net of discounts and returns, net of sales tax, and include wholesale sales and royalties. Amounts charged to customers for shipping and handling are included in net sales. A reserve has been established for estimated merchandise returns based upon historical experience and other known factors. The Company adopted Accounting Standards Update ("ASU") No. 2014-09 (see *New Accounting Standards* below) in the first quarter of fiscal 2019 which required a change in the presentation of the reserve for estimated merchandise returns on the consolidated balance sheet. The reserve was previously recorded net of the value of returned merchandise, but is now presented on a gross basis with an offset recorded to other current assets. At March 2, 2019, the gross reserve for estimated merchandise returns was \$4,137,000. The net reserve for estimated merchandise returns at the end of fiscal 2018 was \$2,805,000.

Cost of sales — Cost of sales includes, from acquisition to store delivery, all cost of merchandise sold as well as store occupancy costs. The cost of merchandise sold includes product costs, freight and logistics charges, agent fees, duties, distribution and fulfillment expenses, shipping and packaging, inventory reserves for shrinkage and slow-moving inventory, and other costs necessary to bring the inventory to its final location. These costs include depreciation of long-lived assets utilized in acquiring, warehousing, fulfilling and distributing inventory.

Gift cards — Revenue associated with gift cards is recognized when merchandise is sold and a gift card is redeemed as payment. Prior to fiscal 2019, gift card breakage was estimated and recorded as income based upon an analysis of the Company's historical data and expected trends in redemption patterns and represented the remaining non-escheatable unused portion of the gift card liability for which the likelihood of redemption was remote. For fiscal 2018 and 2017, estimated gift card breakage was recognized 30 months after the original issuance. During fiscal 2019, the Company adopted new revenue recognition guidance and began recognizing gift card breakage over the expected redemption period rather than when the likelihood of redemption was remote. If actual redemption patterns vary from the Company's estimates or if laws or regulations change, actual gift card breakage may differ from the amounts recorded. Estimated gift card breakage recorded to revenue was \$3,728,000, \$4,875,000 and \$4,825,000 in fiscal 2019, 2018 and 2017, respectively.

Leases — The Company leases certain property consisting principally of retail stores, warehouses, its corporate headquarters and material handling and office equipment under operating leases expiring through fiscal 2030. Most retail store locations were leased for primary terms of ten years with varying renewal options and rent escalation clauses. Escalations occurring during the primary terms of the leases are included in the calculation of the future minimum lease payments, and the rent expense related to these leases is recognized on a straight-line basis over the lease term, including free rent periods prior to the opening of its locations. The portion of rent expense applicable to a location before opening is included in SG&A expenses. Once opened for business, rent expense is included in cost of sales. Certain leases provide for additional rental payments based on a percentage of sales in excess of a specified base. This additional rent is accrued when it appears probable that the sales will exceed the specified base. Construction allowances received from landlords are initially recorded as lease liabilities and amortized as a reduction of rental expense over the primary lease term.

Advertising costs — Advertising production costs are expensed the first time the advertising occurs and all other advertising costs are expensed as incurred. Advertising costs primarily include event and seasonal mailers, radio, newspaper, television and digital advertising and were \$111,197,000, \$99,568,000 and \$101,780,000 in fiscal 2019, 2018 and 2017, respectively. Prepaid advertising at the end of fiscal years 2019 and 2018 was \$1,584,000 and \$3,012,000, respectively.

Income taxes — The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Deferred tax assets and liabilities are recorded in the Company's consolidated balance sheets and are classified as noncurrent. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized. In assessing the need for a valuation allowance, all available evidence is considered including past operating results, estimates of future income and tax planning strategies. The Company is subject to income tax in many jurisdictions, including the United States, various states, provinces, localities and foreign countries, for which the Company records estimated reserves for unrecognized tax benefits for both domestic and foreign income tax issues. At any point in time, multiple tax years are subject to audit by these various jurisdictions. However, the timing of these audits and negotiations with taxing authorities may yield results different from those currently estimated. See *Note 7 of the Notes to Consolidated Financial Statements* for further discussion.

Earnings per share — Basic earnings per share amounts were determined by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share amounts were similarly computed, and have included the effect, if dilutive, of the Company's weighted average number of stock options outstanding and shares of unvested restricted stock.

Earnings per share amounts were calculated as follows (in thousands except per share amounts):

	2019	2018	2017
Net income	\$ (198,833)	\$ 11,626	\$ 30,129
Weighted average shares outstanding:			
Basic	80,708	80,223	80,919
Effect of dilutive stock options	—	1	17
Effect of dilutive restricted stock	—	30	48
Diluted	80,708	80,254	80,984
Earnings per share:			
Basic	\$ (2.46)	\$ 0.14	\$ 0.37
Diluted	\$ (2.46)	\$ 0.14	\$ 0.37

Stock-based awards totaling 3,555,000 were excluded from the computation of earnings per share for fiscal 2019 as the effect would be antidilutive. Outstanding stock options totaling 361,523 for fiscal 2018 and 900,933 for fiscal 2017 were excluded from the computation of earnings per share, as the effect would be antidilutive.

Stock-based compensation — The Company's stock-based compensation relates to stock options, restricted stock awards, restricted stock units and director deferred stock units. Accounting guidance requires measurement and recognition of compensation expense at an amount equal to the grant date fair value. Compensation expense is recognized for any unvested stock option awards, restricted stock awards and restricted stock units on a straight-line basis or ratably over the requisite service period. Stock option exercise prices equal the fair market value of the shares on the date of the grant. The fair value of stock options is calculated using a Black-Scholes option pricing model. For time-based and most performance-based restricted stock awards, compensation expense is measured and recorded using the closing price of the Company's common stock on the date of grant. If the date of grant for stock options or restricted stock awards occurs on a day when the Company's common stock is not traded, the closing price on the last trading day before the date of grant is used. Performance-based shares vest upon the Company satisfying certain performance targets. The Company records compensation expense for these awards with a performance condition when it is probable that the condition will be achieved. Forfeitures of stock-based awards are recognized as they occur. The compensation expense ultimately recognized, if any, related to these awards will equal the grant date fair value for the number of shares for which the performance condition has been satisfied. See *Note 6 of the Notes to Consolidated Financial Statements* for further discussion.

New accounting standards —

Accounting Standards — Recently Adopted:

ASU 2014-09 — Revenue from Contracts with Customers (Topic 606)

Revenue Recognition — The Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," in the first quarter of fiscal 2019, using the modified retrospective approach. As a result, the Company recorded a cumulative adjustment to increase retained earnings and decrease gift cards and other deferred revenue by \$9,444,000 (\$7,020,000, net of tax) related to the acceleration in the timing of recognizing gift card breakage revenue. The Company now recognizes gift card breakage revenue over the expected redemption period rather than when the likelihood of redemption is remote.

The new standard required a change in the presentation of the reserve for estimated merchandise returns on the consolidated balance sheet, which was previously recorded net of the value of returned merchandise, but is now presented on a gross basis. During the first quarter of fiscal 2019, the Company recorded an adjustment of \$2,216,000 to present the reserve on a gross basis, with an offset recorded to other current assets. The gross reserve for estimated merchandise returns at March 2, 2019 was \$4,137,000. For fiscal 2019, the Company recognized revenue of \$14,439,000 for gift card redemptions. Prior to recognition as revenue, these amounts were included in gift

cards and other deferred revenue on the Company's consolidated balance sheet as of March 3, 2018. As of March 2, 2019, gift cards and other deferred revenue on the Company's consolidated balance sheet totaled \$37,655,000. A majority of this amount is expected to be recognized in revenue during fiscal 2020.

Disaggregated Revenues — Net sales consisted almost entirely of sales to retail customers, net of discounts and returns, but also included delivery revenues, wholesale sales and royalties, and gift card breakage. Net sales during fiscal years 2019 and 2018 were as follows (in thousands):

	2019	2018
Retail sales	\$ 1,541,745	\$ 1,785,989
Other (1)	11,193	12,533
Net sales	\$ 1,552,938	\$ 1,798,522

(1) The Company supplies merchandise and licenses the Pier 1 Imports name to Grupo Sanborns, which sells Pier 1 Imports merchandise primarily in a "store within a store" format in Mexico and El Salvador and online in Mexico. Other sales consisted primarily of these wholesale sales and royalties received from Grupo Sanborns, as well as gift card breakage.

ASU 2016-15 — Statement of Cash Flows (Topic 230)

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-15, "Statement of Cash Flows (Topic 230)." The standard is intended to reduce the diversity in practice around how certain transactions are classified within the statement of cash flows. The Company adopted the provisions of this guidance in the first quarter of fiscal 2019 with retrospective application. The adoption of this guidance did not have a material impact on the Company's financial statements.

ASU 2016-16 — Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." This amendment is intended to improve accounting for the income tax consequences of intra-entity transfers of assets other than inventory. In accordance with this guidance, an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The Company adopted the provisions of this guidance in the first quarter of fiscal 2019 with modified retrospective application. The adoption of this guidance did not have a material impact on the Company's financial statements.

ASU 2016-18 — Statement of Cash Flows (Topic 230): Restricted Cash

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted the provisions of this guidance in the first quarter of fiscal 2019 with retrospective application. The adoption of this guidance did not have a material impact on the Company's financial statements.

ASU 2017-07 — Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

In March 2017, the FASB issued ASU 2017-07, "Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." The new guidance requires the service cost component of the net periodic benefit cost to be presented in the same income statement line items as other employee compensation costs arising from services rendered during the period. In addition, only the service cost component will be eligible for capitalization. Other components will be presented separately from the line items that include the service cost and outside of any subtotal of operating income, if one is presented. The Company adopted the provisions of this guidance in the first quarter of fiscal 2019. The guidance on the presentation of the components of net periodic benefit cost requires retrospective application. The guidance limiting the capitalization of net periodic benefit cost requires prospective application. The adoption of this guidance did not have a material impact on the Company's financial statements.

ASU 2017-09 — Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting

In May 2017, the FASB issued ASU 2017-09, "Scope of Modification Accounting." ASU 2017-09 clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The new guidance will reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as modifications. Under ASU 2017-09, an entity will not apply modification accounting to a share-based payment award if the award's fair value, vesting conditions and classification as an equity or liability instrument are the same immediately before and after the change. ASU 2017-09 will be applied prospectively to awards modified on or after the adoption date. The Company adopted the provisions of this guidance in the first quarter of fiscal 2019 on a prospective basis. The adoption of this guidance did not have a material impact on the Company's financial statements.

SEC Disclosure Update

In August 2018, the U.S. Securities and Exchange Commission ("SEC") adopted final rules under SEC Release No. 33-10532, *Disclosure Update and Simplification*, amending and expanding certain disclosure requirements. The rules require, among other things, that registrants include in their interim financial statements a reconciliation of changes in shareholders' equity in the notes or as a separate statement that reconciles the beginning balance to the ending balance of each caption in shareholders' equity for each period for which an income statement is required to be filed. The Company applied the new SEC disclosure requirements to the Consolidated Statements of Shareholders' Equity in the third quarter of fiscal 2019 on a retrospective basis.

Accounting Standards — Pending Adoption:

ASU 2016-02 — Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” which provides new guidance on accounting for leases and requires lessees to recognize a right-of-use asset and lease liability for most leases on the balance sheet. The Company leases its corporate headquarters, retail stores and the majority of its distribution and fulfillment centers; therefore, this ASU is expected to have a material impact on the Company’s consolidated balance sheets, but is not expected to have a material impact on the consolidated statements of operations or consolidated statements of cash flows. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018.

The Company will adopt this ASU and related amendments beginning in the first quarter of fiscal 2020 and will elect certain practical expedients permitted under the transition guidance, including the package of practical expedients, which allows the Company to not reassess whether existing contracts contain leases, the lease classification of existing leases, or initial direct costs for existing leases. The Company will also elect the transition option that allows entities to only apply the ASU at the adoption date and not apply the provisions to comparative periods. The Company will elect not to separate lease and non-lease components and not to recognize a right-of-use asset and a lease liability for leases with an initial term of twelve months or less. Management is utilizing a third party to assist with the incremental borrowing rate calculation. The Company will not elect the hindsight practical expedient. A complete population of contracts that meet the definition of a lease under ASU 2016-02 has been identified. The Company has also established new processes and internal controls and implemented a new lease system to assist with its compliance with ASU 2016-02.

ASU 2018-02 — Income Statement — Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU 2018-02, “Income Statement — Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” ASU 2018-02 gives entities the option to reclassify to retained earnings tax effects related to items in accumulated other comprehensive income (“OCI”) that have been stranded in accumulated OCI as a result of the remeasurement of deferred taxes to reflect the lower federal income tax rate enacted as part of the Tax Cuts and Jobs Act of 2017. ASU 2018-02 requires entities to make new disclosures, regardless of whether they elect to reclassify tax effects. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018. Early adoption in any period is permitted. ASU 2018-02 can be applied either retrospectively or in the period of adoption. ASU 2018-02 is effective for the Company beginning in fiscal 2020. The Company is evaluating the impact of the adoption of ASU 2018-02 on its financial statements, but does not expect it to have a material impact.

ASU 2018-14 — Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans

In August 2018, the FASB issued ASU 2018-14, “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans,” which makes minor changes to the disclosure requirements for employers that sponsor defined benefit pension and/or other postretirement benefit plans. The new guidance eliminates requirements for certain disclosures that are no longer considered cost beneficial and requires new ones that the FASB considers pertinent. ASU 2018-14 is effective for the Company beginning in fiscal 2021. The Company is evaluating the impact of the adoption of ASU 2018-14 on its financial statements, but does not expect it to have a material impact.

ASU 2018-15 — Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract

In August 2018, the FASB issued ASU 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract,” requiring a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. ASU 2018-15 is effective for the Company beginning in fiscal 2021. The Company is evaluating the impact of the adoption of ASU 2018-15 on its financial statements, but does not expect it to have a material impact.

NOTE 2 – PROPERTIES AND EQUIPMENT, NET

Properties and equipment, net are summarized as follows at March 2, 2019 and March 3, 2018 (in thousands):

	2019	2018
Land	\$ 535	\$ 535
Buildings	8,077	8,077
Equipment, furniture, fixtures and other	357,433	367,171
Leasehold improvements	198,637	216,687
Computer software	140,826	137,815
Projects in progress	274	2,959
	705,782	733,244
Less accumulated depreciation	556,426	554,477
Properties and equipment, net	\$ 149,356	\$ 178,767

NOTE 3 – OTHER ACCRUED LIABILITIES AND OTHER NONCURRENT LIABILITIES

The following is a summary of other accrued liabilities and other noncurrent liabilities at March 2, 2019 and March 3, 2018 (in thousands):

	2019	2018
Accrued payroll and other employee-related liabilities	\$ 57,033	\$ 56,336
Accrued taxes, other than income	21,728	24,414
Rent-related liabilities	8,518	8,755
Other	20,260	16,763
Other accrued liabilities	\$ 107,539	\$ 106,268
Rent-related liabilities	\$ 33,353	\$ 33,993
Deferred gains	1,933	2,516
Retirement benefits	11,816	18,512
Other	4,570	4,693
Other noncurrent liabilities	\$ 51,672	\$ 59,714

NOTE 4 – LONG-TERM DEBT AND AVAILABLE CREDIT

Industrial Revenue Bonds — The Company has industrial revenue bonds outstanding totaling \$9,500,000 at March 2, 2019 and March 3, 2018. The Company's industrial revenue bonds have been outstanding since fiscal 1987. Proceeds were used to construct warehouse/distribution facilities. The loan agreements and related tax-exempt bonds mature in the year 2026. The Company's interest rates on the loans are based on the bond interest rates, which are market driven, reset weekly and are similar to other tax-exempt municipal debt issues. The Company's weighted average effective interest rate, including standby letter of credit fees, was 3.1%, 2.8% and 2.2% for fiscal 2019, 2018 and 2017, respectively.

Revolving Credit Facility — At the end of fiscal 2018, and through the third quarter of fiscal 2019, the Company had a \$350,000,000 secured revolving credit facility with a \$150,000,000 accordion feature that matures on June 2, 2022 ("Revolving Credit Facility"). The Revolving Credit Facility is secured primarily by the Company's eligible merchandise inventory and third-party credit card receivables and certain related assets on a first priority basis and by a second lien on substantially all other assets of certain of the Company's subsidiaries, subject to certain exceptions. At the Company's option, borrowings will bear interest, payable quarterly or, if earlier, at the end of each interest period, at either (a) the adjusted LIBOR rate as defined in the Revolving Credit Facility plus a spread varying from 125 to 150 basis points per annum, depending on the amount then borrowed under the Revolving Credit Facility, or (b) the prime rate as defined in the Revolving Credit Facility plus a spread varying from 25 to 50 basis points per annum, depending on the amount then borrowed under the Revolving Credit Facility. The Company pays a fee ranging from 125 to 150 basis points per year for standby letters of credit depending on the average daily availability as defined by the facility, 62.5 to 75.0 basis points per year for trade letters of credit, and a commitment fee of 25 basis points per year for any unused amounts. As of March 2, 2019 and March 3, 2018, the fee for standby letters of credit was 125 basis points per year and 62.5 basis points per year for trade letters of credit. In addition, the Company will pay, when applicable, letter of credit fronting fees on the amount of letters of credit outstanding.

The Revolving Credit Facility includes a requirement that the Company has minimum availability equal to the greater of 10% of the line cap, as defined under the Revolving Credit Facility, or \$30,000,000. The Company's Revolving Credit Facility may limit the ability of the Company to, among other things, incur or guarantee additional indebtedness, pay dividends on, or redeem or repurchase capital stock, make certain acquisitions or investments, incur or permit to exist certain liens, enter into transactions with affiliates or sell the Company's assets to, or merge or consolidate with or into, another company, in each case, subject to certain exceptions. The Company will not be restricted from paying certain dividends unless credit extensions on the line result in availability over a specified period of time that is projected to be less than 15.0% of the lesser of either \$400,000,000 or the calculated borrowing base plus the outstanding amount under the FILO Tranche (as defined below), subject to the Company meeting a fixed charge coverage requirement when availability over the same specified period of time is projected to be less than 20.0% of the lesser of either \$400,000,000 or the calculated borrowing base plus the outstanding amount under the FILO Tranche.

On December 14, 2018, the Company amended its Revolving Credit Facility to include a new \$50,000,000 first-in, last-out tranche ("FILO Tranche"). The FILO Tranche, which was completed and funded on December 14, 2018, expands the Revolving Credit Facility from \$350,000,000 to \$400,000,000 and modifies the borrowing base. The FILO Tranche includes a \$15,000,000 first-in, last-out loan ("FILO Loan"), subject to a borrowing base, which bears interest at either the adjusted LIBOR rate plus 300 basis points per annum or the prime rate plus a spread varying from 25 to 50 basis points per annum, depending on the amount then borrowed under the Revolving Credit Facility. The FILO Tranche also includes a \$35,000,000 term loan ("ABL Term Loan"), subject to a borrowing base, which bears interest at the adjusted LIBOR rate plus 800 basis points per annum, and which will amortize in equal quarterly installments of 1.25% of the original principal amount thereof commencing on June 30, 2020. The FILO Tranche is a term loan and does not revolve. The Company's weighted average effective interest rate, including fees, for the FILO Tranche was 10.2% for fiscal 2019. The maturity date of each of the FILO Loan and the ABL Term Loan is June 2, 2022. The proceeds of the FILO Loan and the ABL Term Loan were used for working capital, capital expenditures and general corporate purposes. The FILO Tranche amendment did not result in any other material changes to the Revolving Credit Facility.

During fiscal 2019, the Company had no cash borrowings under the revolving portion of the Revolving Credit Facility and \$50,000,000 in cash borrowings under the FILO Loan and ABL Term Loan referenced above. As of March 2, 2019, the carrying value of the FILO Loan and ABL Term Loan was \$48,912,000, net of debt issuance costs. During fiscal 2018 and 2017 the Company repaid all cash borrowings under the Revolving Credit Facility. Credit extensions under the Revolving Credit Facility are limited to the lesser of \$350,000,000 or the amount of the calculated borrowing base, as defined by the agreement, which was \$279,630,000 as of March 2, 2019. The borrowing base calculation is subject to advance rates and commercially reasonable availability reserves. As of March 2, 2019, the Company utilized approximately \$41,641,000 in letters of credit and bankers' acceptances against the Revolving Credit Facility. Of the outstanding balance, approximately \$22,926,000 related to a standby letter of credit for the Company's workers' compensation and general liability insurance policies, \$9,715,000 related to a standby letter of credit related to the Company's industrial revenue bonds and \$9,000,000 related to other miscellaneous standby letters of credit. After excluding the \$41,641,000 in utilized letters of credit and bankers' acceptances from the borrowing base, \$237,988,000 remained available for cash borrowings.

Term Loan Facility — The Company entered into the senior secured term loan facility ("Term Loan Facility") on April 30, 2014. The Term Loan Facility matures on April 30, 2021, and is secured by a second lien on all assets subject to a first lien under the Revolving Credit Facility and a first lien on substantially all other assets of certain of the Company's subsidiaries, subject to certain exceptions. At the Company's option, borrowings under the Term Loan Facility will bear interest, payable quarterly or, if earlier, at the end of each interest period, at either (a) the LIBOR rate as defined in the Term Loan Facility subject to a 1% floor plus 350 basis points per year or (b) the base rate as defined in the Term Loan Facility subject to a 2% floor plus 250 basis points per year. The Company's weighted average effective interest rate, including fees, was 6.6% for fiscal 2019. As of March 2, 2019, the Company had \$191,000,000 in borrowings under the Term Loan Facility with a carrying value of \$189,290,000, net of unamortized discounts and debt issuance costs. The proceeds of the loan were used for general corporate purposes, including working capital needs, capital expenditures, and share repurchases and dividends permitted under the Term Loan Facility. The Term Loan Facility is subject to quarterly amortization of principal equal to 0.25% of the original aggregate principal amount of the loans, with the balance due at final maturity. The Company is subject to an annual excess cash flow repayment requirement, as defined in the Term Loan Facility. At the Company's option, and subject to the requirements and provisions of the Term Loan Facility, the Company can prepay the Term Loan Facility at any time. The fair value of the amount outstanding under the Term Loan Facility was approximately \$138,834,000 as of March 2, 2019, which was measured at fair value using the quoted market price. The fair value measurement is classified as Level 2 in the fair value hierarchy based on the frequency and volume of trading for which the price was readily available. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

The Term Loan Facility includes restrictions on the Company's ability to, among other things, incur or guarantee additional indebtedness, pay dividends on, or redeem or repurchase shares of the Company's capital stock, make certain acquisitions or investments, materially change the business of the Company, incur or permit to exist certain liens, enter into transactions with affiliates or sell the Company's assets to, or merge or consolidate with or into, another company, in each case subject to certain exceptions. The Term Loan Facility does not require the Company to comply with any financial maintenance covenants, but contains certain customary representations and warranties, affirmative covenants and provisions relating to events of default. The Term Loan Facility provides for incremental facilities, subject to certain conditions, including the meeting of certain leverage ratio requirements as defined therein, to the extent such facilities exceed an incremental \$200,000,000.

The Term Loan Facility matures as follows (in thousands):

Fiscal Year	Amount
2020	\$ 2,000
2021	2,000
2022	187,000
Total	191,000
Debt Issuance Costs	(1,108)
Debt Discount	(602)
Total	\$ 189,290

NOTE 5 – EMPLOYEE BENEFIT PLANS

The Company offers a qualified defined contribution employee retirement plan to all of its full- and part-time personnel who are at least 18 years old and have been employed for a minimum of 60 days. During fiscal 2019, employees received a matching Company contribution on the first 8% of eligible compensation contributed, for a total Company contribution of up to 4%. During fiscal 2018 and 2017 employees received a matching Company contribution on the first 5% of eligible compensation contributed, for a total Company contribution of up to 3%. Company contributions to the plan were \$3,147,000, \$3,164,000 and \$2,958,000 in fiscal 2019, 2018 and 2017, respectively.

In addition, the Company offers non-qualified deferred compensation plans ("Non-Qualified Plans") for the purpose of providing deferred compensation for certain employees. The Company's expense for the Non-Qualified Plans was \$273,000, \$1,915,000 and \$2,347,000 for fiscal 2019, 2018 and 2017, respectively. The Company has trusts established for the purpose of setting aside funds to settle certain obligations of the Non-Qualified Plans, and contributed \$2,003,000 and used \$7,059,000 to satisfy a portion of retirement obligations during fiscal 2019. The Company also contributed \$2,429,000 and used \$3,909,000 to satisfy a portion of retirement obligations during fiscal 2018. The trusts' assets are included in other noncurrent assets and are comprised of investments and life insurance policies on the lives of former key executives. As of March 2, 2019 and March 3, 2018, the trusts' investments had an aggregate value of \$5,141,000 and \$9,825,000, respectively, and were held primarily in mutual funds. All investments held in the trusts are valued at fair value using Level 1 Inputs, which are unadjusted quoted prices in active markets for identical assets or liabilities. The Company has accounted for the restricted investments as trading securities. The life insurance policies held in the trusts had cash surrender values of \$6,340,000 and \$6,209,000, and death benefits of \$11,409,000 and \$11,392,000 as of March 2, 2019 and March 3, 2018, respectively. The trusts' assets are restricted and may only be used to satisfy obligations to the Non-Qualified Plans' participants.

The Company also owns and is the beneficiary of a number of life insurance policies on the lives of former key executives that are unrestricted as to use. At the discretion of the Company's Board of Directors, such policies could be contributed to the trusts described above or to the trusts established for the purpose of setting aside funds to be used to satisfy obligations arising from supplemental retirement plans. The cash surrender value of the unrestricted policies was \$14,346,000 and \$14,077,000, and the death benefit was \$20,539,000 and \$20,388,000 as of March 2, 2019 and March 3, 2018, respectively. The cash surrender value of these policies is included in other noncurrent assets.

NOTE 6 – MATTERS CONCERNING SHAREHOLDERS' EQUITY

Stock Incentive Plan — The Pier 1 Imports, Inc. 2015 Stock Incentive Plan ("2015 Plan") was approved by the shareholders on June 25, 2015. The aggregate number of shares available for issuance under the 2015 Plan included (i) a new authorization of 2,500,000 shares, plus (ii) 2,507,407 shares that remained available for grant under the Pier 1 Imports, Inc. 2006 Stock Incentive Plan ("2006 Plan") as of June 25, 2015, increased by the number of shares subject to outstanding awards under the 2006 Plan as of June 25, 2015, which was 3,009,974 shares that cease for any reason to be subject to such awards (other than by reason of exercise or settlement of the awards to the extent that they are exercised for or settled in vested and non-forfeitable shares of common stock or that are withheld for payment of applicable employment taxes and/or withholding obligations of an award), plus (iii) 4,000,000 shares approved by the shareholders on June 22, 2017, in the First Amendment to the 2015 Plan, subject to adjustment in the event of stock splits and certain other corporate events. As of March 2, 2019, there were a total of 6,590,046 shares available for issuance under the 2015 Plan.

Restricted stock awarded to certain employees — During fiscal 2019, the Company awarded long-term incentive awards under the 2015 Plan to certain employees. Fiscal 2019 long-term incentive awards were comprised of restricted stock grants that were divided between time-based and performance-based awards. The majority of time-based shares vest in substantially equal amounts over a three-year period beginning on the first anniversary of the award date provided that the participant is employed by the Company on the vesting date. The performance-based shares may vest following the end of fiscal 2021 if the Company achieves certain targeted levels of performance measures established in fiscal 2019. Vesting of the performance-based shares is conditioned upon the participant being employed on the date of filing of the Company's fiscal 2021 Annual Report on Form 10-K with the SEC.

Restricted stock compensation expense — Compensation expense for restricted stock was \$2,916,000, \$3,612,000 and \$8,180,000 in fiscal 2019, 2018 and 2017, respectively. Fiscal 2019 compensation expense includes expense related to director restricted stock units. See "Director Restricted Stock Units" below for more information. Fiscal 2017 includes additional expense of \$3,908,000 for the accelerated vesting of unvested restricted stock awards related to the departure of the Company's former CEO in fiscal 2017. In accordance with accounting guidelines, the Company expenses time-based restricted shares over the requisite service period. For performance-based awards, expense is recognized based on the probability of the Company achieving performance targets. For fiscal 2019, 2018 and 2017, the target levels of performance measures were not achieved and all or a portion of eligible restricted shares did not vest. As of March 2, 2019, there was \$11,401,000 of total unrecognized compensation expense related to restricted stock that may be recognized over a weighted average period of approximately 1.3 years. The total fair value of restricted stock awards vested was \$1,382,000, \$2,112,000 and \$3,671,000 in fiscal 2019, 2018 and 2017, respectively.

The Company realized a total tax benefit related to stock-based compensation of \$326,000, \$736,000 and \$1,783,000 during fiscal 2019, 2018 and 2017, respectively. There was no excess tax benefit recorded for fiscal 2019 or fiscal 2018. For fiscal 2017, \$312,000 was recorded as excess tax benefits. See Note 7 of the Notes to Consolidated Financial Statements for additional discussion of income taxes.

As of March 2, 2019 and March 3, 2018, the Company had 5,148,666 and 4,049,614 unvested shares of restricted stock outstanding, respectively. During fiscal 2019, 5,398,420 shares of restricted stock were awarded, 542,913 shares of restricted stock vested, and 3,756,455 shares of restricted stock were forfeited. The weighted average fair market value at the date of grant of the restricted stock shares awarded during fiscal 2019 was \$1.81 per share.

Stock options — Stock options were granted at exercise prices equal to the fair market value of the Company's common stock on the date of grant. Stock options currently exercisable issued under both the 2006 Plan and the 2015 Plan vest over a period of four years. Stock options have a term of ten years from the grant date and will be fully vested upon death, disability or retirement of the associate. The Compensation Committee of the Board of Directors serves as the administrative committee of the 2006 Plan and 2015 Plan and has the discretion to take certain actions with respect to stock options, such as accelerating the vesting, upon certain corporate changes (as defined in the 2006 Plan and 2015 Plan).

A summary of stock option transactions related to the Company's stock option grants during the three fiscal years is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Fair Value at Date of Grant	Exercisable Shares Number of Shares	Weighted Average Exercise Price
Outstanding at February 27, 2016	1,210,548	\$ 7.34		1,176,974	\$ 7.06
Options granted	23,000	6.99	\$ 2.85		
Options exercised	(966,500)	6.71			
Options cancelled or expired	(142,248)	10.57			
Outstanding at February 25, 2017	124,800	8.50		107,800	8.22
Options granted	320,469	6.68	3.21		
Options exercised	—	—			
Options cancelled or expired	(40,000)	7.77			
Outstanding at March 3, 2018	405,269	7.13		73,250	8.76
Options granted	—	—	—		
Options exercised	—	—			
Options cancelled or expired	(371,844)	6.75			
Outstanding at March 2, 2019	33,425	11.39		23,850	12.92

For options outstanding at March 2, 2019

Ranges of Exercise Prices	Total Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Shares Currently Exercisable	Weighted Average Exercise Price- Exercisable Shares
\$6.59 — \$11.47	21,225	\$ 7.60	5.39	12,725	\$ 8.15
\$14.04 — \$23.19	12,200	17.99	4.75	11,125	18.37

As of March 2, 2019, the weighted average remaining contractual term for outstanding and exercisable options was 5.2 years and 4.2 years, respectively. There was no aggregate intrinsic value for outstanding or exercisable options at the end of fiscal 2019 or fiscal 2018. The total intrinsic value of options exercised for fiscal 2017 was approximately \$1,137,000. The intrinsic value of a stock option is the amount by which the market value of the underlying common stock exceeds the exercise price of the option. There were no options exercised in fiscal years 2019 and 2018.

At March 2, 2019, there was approximately \$6,000 of total unrecognized compensation expense related to unvested stock option awards, which is expected to be recognized over a weighted average period of 1.7 years. The fair value of the stock options is amortized as compensation expense over the vesting periods of the options. The Company recorded stock-based compensation expense related to stock options of approximately \$(160,000), \$197,000 and \$48,000 in fiscal 2019, 2018 and 2017, respectively.

Director deferred stock units — The 2015 Plan and certain prior plans authorize director deferred stock unit awards to non-employee directors. Directors can elect to defer all or a portion of their cash director's fees into a deferred stock unit account. The annual retainer fees deferred (other than committee chairman and chairman of the board annual retainers) received a 25% matching contribution from the Company in the form of director deferred stock units. There were 750,000 shares and 707,500 shares deferred, but not delivered, as of March 2, 2019 and March 3, 2018, respectively. During fiscal 2019, approximately 116,800 director deferred stock units were granted, 74,300 units were delivered and no units were cancelled. Compensation expense for the director deferred stock awards was \$191,000, \$806,000 and \$834,000 in fiscal 2019, 2018 and 2017, respectively.

Director restricted stock units — The 2015 Plan authorizes director restricted stock unit awards to non-employee directors. The annual retainer fees for directors include restricted stock units having a value of \$100,000. The restricted stock units vest over a one-year period. During fiscal 2019, approximately 332,570 director restricted stock units were granted, no units were vested and no units were forfeited. Compensation expense for the director restricted stock units was \$610,000 in fiscal 2019. The weighted average fair market value at the date of grant of the restricted stock units awarded during fiscal 2019 was \$2.78 per share.

Stock purchase plan — Substantially all Company associates and all non-employee directors are eligible to participate in the Pier 1 Imports, Inc. Stock Purchase Plan under which the Company's common stock is purchased on behalf of participants at market prices through regular payroll deductions. Each associate may contribute up to 20% of the eligible portions of compensation, and non-employee directors may contribute up to 100% of their director compensation. The Company contributes an amount equal to 25% of the participant's contributions. Company contributions to the stock purchase plan were \$290,000, \$351,000 and \$363,000 in fiscal years 2019, 2018 and 2017, respectively.

Preferred Stock — As of March 2, 2019, the Company's restated certificate of incorporation authorized 20,000,000 shares of preferred stock having a par value of \$1.00 per share to be issued. No such shares have been issued.

Dividends — The Company did not pay cash dividends in fiscal 2019. The Company paid cash dividends of \$22,294,000 and \$22,501,000 in fiscal years 2018 and 2017, respectively. The Company discontinued the Company's common stock dividend in April 2018.

Shares reserved for future issuances — As of March 2, 2019, the Company had approximately 7,706,046 shares of common stock reserved for future issuances under the stock plans. This amount includes stock options outstanding, director deferred stock units, director restricted stock units and shares available for future grant.

Share repurchase plan — The following table summarizes the Company's total repurchases of its common stock under the \$200 million board-approved share repurchase program announced on April 10, 2014 ("April 2014 program"), for each of the last three fiscal years:

Date Program Announced	Authorized Amount	Shares Purchased			Weighted Average Cost	Remaining Available as of March 2, 2019
		Fiscal 2019	Fiscal 2018	Fiscal 2017		
Apr. 10, 2014	\$ 200,000,000	—	1,926,602	1,794,053	\$ 10.58 ⁽¹⁾	\$ 26,610,135

⁽¹⁾ Represents weighted average cost for all share repurchases under the April 2014 program.

The Company discontinued share repurchases under the April 2014 program in April 2018.

NOTE 7 – INCOME TAXES

The components of income (loss) before income taxes for each of the last three fiscal years, by tax jurisdiction, were as follows (in thousands):

	2019	2018	2017
Domestic	\$ (204,181)	\$ 13,882	\$ 39,818
Foreign	2,802	4,015	5,441
Income (loss) before income taxes	\$ (201,379)	\$ 17,897	\$ 45,259

The provision (benefit) for income taxes for each of the last three fiscal years consisted of (in thousands):

	2019	2018	2017
Federal:			
Current	\$ (933)	\$ 549	\$ 30,062
Deferred	(4,248)	5,742	(17,842)
State:			
Current	1,075	(701)	3,491
Deferred	1,190	270	(1,803)
Foreign:			
Current	352	411	1,222
Deferred	18	—	—
Total income tax provision (benefit)	\$ (2,546)	\$ 6,271	\$ 15,130

During the third quarter of fiscal 2019, the Company established a valuation allowance of \$20,761,000 related to deferred tax assets. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized. When the need for a valuation allowance is assessed, the Company considers all available positive and negative evidence. Recent cumulative losses were determined to be significant negative evidence that management considered in determining it was not more likely than not that certain of its deferred tax assets would be realized, resulting in an increase to the Company's valuation allowance.

The Tax Cuts and Jobs Act of 2017 ("Tax Act"), enacted in December 2017, revised many aspects of the U.S. corporate income tax including, but not limited to, a corporate income tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, a limitation on the deductibility of net interest expense, a 100% immediate deduction for certain new investments placed in service before 2023, and the modification or repeal of many business deductions and credits, including the limitation on deductions for certain executive compensation arrangements under Section 162(m) of the Internal Revenue Code. SEC Staff Accounting Bulletin ("SAB") 118 allowed the Company to provide a provisional estimate of the impact of the Tax Act due to the complexities involved in accounting for its enactment. SAB 118 provides a measurement period that should not extend beyond one year from the enactment of the Tax Act to complete the accounting under ASC 740, *Income Taxes*.

In fiscal year 2018, the Company recorded provisional income tax benefits of \$323,000 related to the impact of the Tax Act on deferred tax balances. As allowed by SAB 118, the Company completed its accounting for the income tax effects of the Tax Act and recognized additional benefits of \$392,000 in the fourth quarter of fiscal 2019.

The differences between income taxes at the statutory federal income tax rate of 21% in fiscal 2019, 32.7% in fiscal 2018 and 35% in fiscal 2017, and income tax reported in the consolidated statements of operations were as follows (in thousands):

	2019	2018	2017
Tax provision at statutory federal income tax rate	\$ (42,290)	\$ 5,852	\$ 15,841
State income taxes, net of federal provision (benefit)	(4,272)	664	352
Change in valuation allowance	45,199	263	168
Foreign income taxes	370	411	1,222
Foreign and other tax credits	(50)	(772)	(2,161)
Non-deductible penalty	2	1,021	40
Remeasurement of U.S. federal deferred tax assets and liabilities	(392)	(323)	—
Share-based compensation shortfall	528	436	—
Uncertain tax positions	(689)	(1,482)	825
Other, net	(952)	201	(1,157)
Provision (benefit) for income taxes	\$ (2,546)	\$ 6,271	\$ 15,130
Effective tax rate	1.3%	35.0%	33.4%

Deferred tax assets and liabilities at March 2, 2019 and March 3, 2018, were comprised of the following (in thousands):

	2019	2018
Deferred tax assets:		
Deferred compensation	\$ 7,632	\$ 9,707
Net operating loss carryforward	33,409	—
Accrued average rent	9,875	9,764
Self insurance reserves	8,254	7,857
Cumulative foreign currency translation	1,976	1,588
Deferred revenue and revenue reserves	4,568	3,584
Business interest expense limitation	3,361	—
Foreign - Properties and equipment, net	1,004	—
Foreign - Inventory	86	—
Foreign and other tax credits	1,662	1,822
Other	2,057	3,650
Total deferred tax assets	\$ 73,884	\$ 37,972
Deferred tax liabilities:		
Properties and equipment, net	\$ (8,364)	\$ (14,070)
Inventory	(11,719)	(13,578)
Store supplies	(2,613)	(2,393)
Deferred gain on debt repurchase	—	(2,199)
Other	(596)	(957)
Total deferred tax liabilities	\$ (23,292)	\$ (33,197)
Valuation allowance	\$ (46,507)	\$ (1,308)
Net deferred tax assets (1)	\$ 4,085	\$ 3,467

(1) For fiscal 2019 and 2018, state deferred tax assets were \$2,609 and \$4,354, respectively, and federal and foreign deferred tax assets were \$1,476 and \$0, respectively.

Federal net operating loss carryforwards at March 2, 2019 and March 3, 2018, were \$140,088,000 and \$0, respectively. The federal losses can be carried forward indefinitely and are subject to a full valuation allowance. State net operating loss carryforwards at March 2, 2019 and March 3, 2018, were \$71,454,000 and \$12,816,000, respectively. If certain substantial changes in the entity's ownership occur, there would be an annual limitation on the amount of the carryforward(s) that can be utilized. The total unrecognized tax benefits related to state net operating losses were \$250,000 and \$205,000 at March 2, 2019 and March 3, 2018, respectively. State loss

carryforwards vary as to the carryforward period and will expire from fiscal 2020 through fiscal 2039. The Company believes that it is not more likely than not that the benefit from certain state loss carryforwards will be realized. Accordingly, the Company has provided a valuation allowance of \$4,231,000 and \$0 with respect to the deferred tax assets relating to these state loss carryforwards as of March 2, 2019 and March 3, 2018, respectively. Deferred tax assets related to state tax credits at March 2, 2019 and March 3, 2018, were \$1,972,000 and \$2,152,000, respectively. The total unrecognized tax benefits related to state tax credits at March 2, 2019 and March 3, 2018, were \$192,000 and \$330,000, respectively. State tax credit carryforwards vary as to the carryforward period and will expire from fiscal 2024 through fiscal 2039. The Company believes that it is not more likely than not that the benefit from certain state tax credits will be realized. Accordingly, the Company has provided a valuation allowance of \$1,600,000 and \$1,308,000 with respect to the deferred tax assets relating to these state tax credits as of March 2, 2019 and March 3, 2018, respectively.

The Company is subject to taxation in the United States and various state, provincial, local and foreign (primarily Canadian) jurisdictions. With few exceptions, as of fiscal 2019, the Company is no longer subject to U.S. federal or state examinations by tax authorities for years before fiscal 2016. Certain tax years prior to fiscal 2016 are subject to examination by certain state and foreign jurisdictions.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for uncertain tax positions is as follows (in thousands):

	2019	2018	2017
Unrecognized tax benefits - beginning balance	\$ 4,906	\$ 6,990	\$ 2,551
Gross increases — tax positions in current period	—	219	4,643
Gross increases — tax positions in prior period	455	47	225
Gross decreases — tax positions in prior period	(157)	(2,065)	(320)
Settlements	—	—	(83)
Expiration of statute of limitations	(697)	(285)	(26)
Unrecognized tax benefits — ending balance	\$ 4,507	\$ 4,906	\$ 6,990

As of March 2, 2019 and March 3, 2018, the Company had total unrecognized tax benefits of \$4,507,000 and \$4,906,000, respectively, the majority of which would, if recognized, affect the Company's effective tax rate. It is reasonably possible a significant portion of the Company's gross unrecognized tax benefits could decrease within the next twelve months primarily due to state income tax settlements or expirations of statutes.

Interest associated with unrecognized tax benefits is recorded in nonoperating (income) and expenses. Penalties associated with unrecognized tax benefits are recorded in SG&A expenses. The Company recorded expenses for tax interest and penalties, net of refunds, of \$28,000, \$118,000 and \$142,000 in fiscal 2019, 2018 and 2017, respectively. The Company had accrued penalties and interest of \$747,000 and \$602,000 at March 2, 2019 and March 3, 2018, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Leases - At March 2, 2019, the Company had the following minimum lease commitments and future subtenant receipts in the years indicated (in thousands):

Fiscal Year	Operating Leases	Subtenant Income
2020	\$ 225,845	\$ 1,658
2021	192,690	1,874
2022	161,276	1,977
2023	123,940	1,601
2024	86,176	1,243
Thereafter	138,554	3,211
Total lease commitments	\$ 928,481	\$ 11,564

Rental expense, which includes distribution and fulfillment center space and corporate headquarters, was \$256,236,000, \$261,889,000 and \$264,735,000 in fiscal 2019, 2018 and 2017, respectively. These amounts include contingent rentals of \$171,000, \$238,000 and \$223,000, based upon a percentage of sales, and net of sublease incomes totaling \$1,448,000, \$1,199,000 and \$646,000 in fiscal 2019, 2018 and 2017, respectively.

Legal matters — Putative class action complaints were filed in the United States District Court for the Northern District of Texas – Dallas Division against Pier 1 Imports, Inc., Alexander W. Smith and Charles H. Turner in August and October 2015 alleging violations under the Securities Exchange Act of 1934, as amended. The lawsuits, which have been consolidated into a single action captioned Town of Davie Police Pension Plan, Plaintiff, v. Pier 1 Imports, Inc., Alexander W. Smith and Charles H. Turner, Defendants, were filed on behalf of a purported putative class of investors who purchased or otherwise acquired stock of Pier 1 Imports, Inc. between April 10, 2014 and December 17, 2015. The plaintiffs seek to recover damages purportedly caused by the Defendants' alleged violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The complaint seeks certification as a class action, unspecified compensatory damages plus interest and attorneys' fees. On August 10, 2017, the court granted the Company's motion to dismiss the complaint, while providing the plaintiffs an opportunity to replead their complaint. An amended complaint was filed with the court on September 25, 2017. On June 25, 2018, the court granted the Company's motion to dismiss the amended complaint, with prejudice. The plaintiffs subsequently filed a notice of

appeal and a related appellate brief and the Company filed its reply brief in January 2019. The court has scheduled oral arguments on June 12, 2019. Although the ultimate outcome of litigation cannot be predicted with certainty, the Company believes that this lawsuit is without merit and intends to defend against it vigorously.

The Company announced in January 2016 a voluntary recall of its Swingasan Chair and Stand in cooperation with the Consumer Product Safety Commission ("CPSC"). In September 2016, the Company received a staff investigatory letter from the CPSC indicating that the CPSC would investigate whether the Company complied with certain reporting requirements of the Consumer Product Safety Act with respect to the recall. The Company responded to the inquiry and cooperated with the CPSC. On September 20, 2017, the Company received a letter from the CPSC proposing to resolve certain alleged violations of the Consumer Product Safety Act relating to the Swingasan recall on terms which would require, among other things, the payment of a civil money penalty. On October 27, 2017, the Company submitted its response to the CPSC letter. The Company disagrees with a number of the allegations and legal conclusions asserted by the CPSC and believes the requested civil money penalty is excessive in view of the circumstances. The CPSC has responded to the Company's letter and generally declined to accept the Company's position. The Company entered into settlement discussions with the CPSC during the third quarter of fiscal 2019 that are ongoing. Given the nature of this matter and the uncertainty as to how and when it will be resolved, the Company believes that a reasonable estimate of the potential range of loss in connection with this matter is \$2,000,000 to \$6,200,000. While the Company anticipates that the final settlement will fall within the estimated range of outcomes, the final terms of the resolution of this matter cannot be predicted with certainty and no assurances can be given as to the specific amount that the Company may be required to pay.

The Company was a defendant in lawsuits in federal courts in California containing various class action allegations under California state wage-and-hour laws. These lawsuits sought unspecified monetary damages, injunctive relief and attorneys' fees. The Company settled these cases as expected on terms favorable to the Company in view of the claims made, the continuing cost of litigation and an assessment of the risk of an adverse trial court or appellate decision. The Company recognized expense of \$6,600,000 in the second quarter of fiscal 2018 attributable to the legal and regulatory proceedings described in this paragraph and the preceding paragraph as a component of selling, general and administrative expenses.

There are various other claims, lawsuits, inquiries, investigations and pending actions against the Company incident to the operation of its business. The Company considers these other matters to be ordinary and routine in nature. The Company maintains insurance against the consolidated class action described in the first paragraph in this Note and liability insurance against most of the other matters noted in this paragraph. It is the opinion of management, after consultation with counsel, that the ultimate resolution of such matters will not have a material adverse effect, either individually or in the aggregate, on the Company's financial condition, results of operations or liquidity.

NOTE 9 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for the years ended March 2, 2019 and March 3, 2018, is set forth below (in thousands except per share amounts):

Fiscal 2019	Quarter Ended			
	6/2/2018	9/1/2018	12/1/2018	3/2/2019 (1)
Net sales	\$ 371,864	355,336	413,232	412,506
Gross profit	\$ 120,139	93,506	130,492	106,766
SG&A expenses	\$ 138,580	143,149	147,012	158,718
Operating loss	\$ (31,341)	(62,466)	(28,943)	(65,335)
Net loss	\$ (28,503)	(51,088)	(50,441)	(68,801)
Average shares outstanding — basic	80,187	80,554	80,784	81,305
Average shares outstanding — diluted	80,187	80,554	80,784	81,305
Basic loss per share	\$ (0.36)	(0.63)	(0.62)	(0.85)
Diluted loss per share	\$ (0.36)	(0.63)	(0.62)	(0.85)

Fiscal 2018	Quarter Ended			
	5/27/2017	8/26/2017	11/25/2017	3/3/2018 (1)
Net sales	\$ 409,525	407,607	469,161	512,229
Gross profit	\$ 151,597	140,164	176,676	189,713
SG&A expenses	\$ 140,195	138,087	150,395	147,909
Operating income (loss)	\$ (2,321)	(11,340)	13,448	28,174
Net income (loss)	\$ (2,986)	(7,823)	7,381	15,054
Average shares outstanding — basic	81,080	80,350	79,658	79,835
Average shares outstanding — diluted	81,080	80,350	79,658	79,854
Basic earnings (loss) per share	\$ (0.04)	(0.10)	0.09	0.19
Diluted earnings (loss) per share	\$ (0.04)	(0.10)	0.09	0.19

(1) The quarter ended March 2, 2019 consisted of 13 weeks, compared to 14 weeks for the quarter ended March 3, 2018.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), that are designed to ensure that information required to be disclosed by the Company in its reports filed or furnished under the Exchange Act is (a) recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is (b) accumulated and communicated to the Company's management, including the Chief Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding the required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, an evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 2, 2019. Based on this evaluation, the Chief Executive Officer and Principal Financial Officer have concluded, with reasonable assurance, that the Company's disclosure controls and procedures were effective as of such date.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining a system of internal control over financial reporting designed to provide reasonable assurance that transactions are executed in accordance with management authorization and that such transactions are properly recorded and reported in the financial statements, and that records are maintained so as to permit preparation of the financial statements in accordance with U.S. generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the Company's internal control over financial reporting utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013). Management concluded that based on its assessment, Pier 1 Imports, Inc.'s internal control over financial reporting was effective as of March 2, 2019. Ernst & Young LLP, an independent registered public accounting firm, has audited the Company's internal control over financial reporting as of March 2, 2019, as stated in their report which is included in this Annual Report on Form 10-K.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting during the fourth quarter of fiscal 2019 that would have materially affected, or would have been reasonably likely to materially affect, the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Pier 1 Imports, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Pier 1 Imports, Inc.'s internal control over financial reporting as of March 2, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Pier 1 Imports, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 2, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Pier 1 Imports, Inc. (the Company) as of March 2, 2019 and March 3, 2018, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended March 2, 2019, and the related notes (collectively referred to as the "consolidated financial statements") and our report dated April 29, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Fort Worth, Texas
April 29, 2019

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information regarding executive officers of the Company required by this Item is contained in Part I of this report under the caption "Executive Officers of the Company." Information regarding directors of the Company required by this Item is incorporated by reference to the section entitled "Governance – Proposal No. 1 – Election of Directors" set forth in the Company's Proxy Statement for its 2019 Annual Meeting of Shareholders to be held on June 19, 2019 ("2019 Proxy Statement").

The information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 required by this Item is incorporated by reference to the section entitled "Share Ownership – Section 16(a) Beneficial Ownership Reporting Compliance" set forth in the 2019 Proxy Statement.

Information regarding the Company's audit committee financial experts as well as the Company's code of ethics and business conduct required by this Item is incorporated by reference to the sections entitled "Governance – Committees of the Board of Directors" and "Governance," respectively, set forth in the 2019 Proxy Statement.

Information regarding the procedures by which shareholders of the Company may recommend nominees to the Company's Board of Directors is incorporated by reference to the section entitled "Governance – Director Nomination Process" set forth in the 2019 Proxy Statement. The procedures by which shareholders may recommend nominees to the Company's Board of Directors have not changed materially from those described in the Company's Proxy Statement for its 2018 Annual Meeting of Shareholders held on June 26, 2018.

No director or nominee for director of the Company has any family relationship with any other director or nominee or with any executive officer of the Company.

Item 11. Executive Compensation.

The information required by this Item is incorporated by reference to the sections entitled "Governance – Non-Employee Director Compensation for the Fiscal Year Ended March 2, 2019", the section entitled "Compensation" and the section entitled "Chief Executive Officer Pay Ratio" set forth in the 2019 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item is incorporated by reference to the section entitled "Share Ownership – Security Ownership of Directors and Executive Officers," the section entitled "Share Ownership – Security Ownership of Certain Beneficial Owners," the table entitled "Compensation – Outstanding Equity Awards Table for the Fiscal Year Ended March 2, 2019," and the table entitled "Equity Compensation Plan Information" set forth in the 2019 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item is incorporated by reference to the section entitled "Compensation – Compensation Committee Interlocks and Insider Participation" and the section entitled "Governance – Director Independence and Related Person Transactions" set forth in the 2019 Proxy Statement.

Item 14. Principal Accounting Fees and Services.

Information required by this Item is incorporated by reference to the section entitled “Audit Matters – Independent Registered Public Accounting Firm Fees” and the section entitled “Audit Matters – Pre-approval of Non-audit Fees” set forth in Proposal No. 4 of the 2019 Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) List of consolidated financial statements, schedules and exhibits filed as part of this report.

1. Financial Statements.

<u>Report of Independent Registered Public Accounting Firm</u>	31
<u>Consolidated Statements of Operations for the Years Ended March 2, 2019, March 3, 2018 and February 25, 2017</u>	32
<u>Consolidated Statements of Comprehensive Income (Loss) for the Years Ended March 2, 2019, March 3, 2018 and February 25, 2017</u>	33
<u>Consolidated Balance Sheets at March 2, 2019 and March 3, 2018</u>	34
<u>Consolidated Statements of Cash Flows for the Years Ended March 2, 2019, March 3, 2018 and February 25, 2017</u>	35
<u>Consolidated Statements of Shareholders' Equity for the Years Ended March 2, 2019, March 3, 2018 and February 25, 2017</u>	36
<u>Notes to Consolidated Financial Statements</u>	37

2. Financial Statement Schedules.

Schedules have been omitted because they are not required or are not applicable or because the information required to be set forth therein either is not material or is included in the financial statements or notes thereto.

3. Exhibits.

Exhibit No.	Description
3(i)	<u>Restated Certificate of Incorporation of Pier 1 Imports, Inc. as filed with the Delaware Secretary of State on October 12, 2009, incorporated herein by reference to Exhibit 3(i) to the Company's Form 10-Q for the quarter ended November 28, 2009 (File No. 001-07832).</u>
3(ii)	<u>Amended and Restated Bylaws of Pier 1 Imports, Inc. (as amended through June 20, 2014), incorporated herein by reference to Exhibit 3.1 to the Company's Form 8-K filed on June 24, 2014 (File No. 001-07832).</u>
10.1	<u>Term Loan Credit Agreement, dated April 30, 2014, among Pier 1 Imports, Inc., Pier 1 Imports (U.S.), Inc., Bank of America, N.A., as administrative and collateral agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, as joint lead arrangers and joint bookrunners, and various other agents and the lenders party thereto, incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed on May 5, 2014 (File No. 001-07832).</u>
10.2	<u>Second Amended and Restated Credit Agreement, dated June 2, 2017, among Pier 1 Imports (U.S.), Inc., Bank of America, N.A., as administrative agent and collateral agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Bank, National Association as joint lead arrangers and joint lead bookrunners, various other agents and the lenders party thereto, and the facility guarantors party thereto, incorporated herein by reference to Exhibit 10.11 to the Company's Form 10-Q for the quarter ended May 27, 2017 (File No. 001-07832).</u>
10.2.1	<u>First Amendment to the Second Amended and Restated Credit Agreement dated December 14, 2018 among Pier 1 Imports (U.S.), Inc., the facility guarantors party thereto, the lenders party thereto, Bank of America, N.A., as administrative agent and collateral agent, and Pathlight Capital Fund I LP, as ABL term loan agent, incorporated herein by reference to Exhibit 10.5 to the Company's Form 10-Q for the quarter ended December 1, 2018 (File No. 001-07832).</u>
10.3	<u>Office Lease between Chesapeake Plaza, L.L.C. and Pier 1 Services Company, dated June 9, 2008, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended May 31, 2008 (File No. 001-07832).</u>
10.3.1	<u>First Amendment to Office Lease, dated June 20, 2008, incorporated herein by reference to Exhibit 10.1.1 to the Company's Form 10-Q for the quarter ended May 31, 2008 (File No. 001-07832).</u>
10.3.2	<u>Second Amendment to Office Lease between Chesapeake Plaza, L.L.C. and Pier 1 Services Company, dated July 1, 2011, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended May 28, 2011 (File No. 001-07832).</u>
10.3.3	<u>Third Amendment to Office Lease between Chesapeake Plaza, L.L.C. and Pier 1 Services Company, dated January 28, 2013, incorporated herein by reference to Exhibit 10.17.3 to the Company's Form 10-K for the year ended March 2, 2013 (File No. 001-07832).</u>

Exhibit No.	Description
10.3.4	<u>Fourth Amendment to Office Lease between Chesapeake Plaza, L.L.C. and Pier 1 Services Company, dated May 1, 2013, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 1, 2013 (File No. 001-07832).</u>
10.3.5	<u>Fifth Amendment to Office Lease between Hines VAV III Energy Way LLC and Pier 1 Services Company, dated July 14, 2014, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended August 30, 2014 (File No. 001-07832).</u>
10.3.6	<u>Sixth Amendment to Office Lease between Hines VAV III Energy Way LLC and Pier 1 Services Company, dated December 18, 2015, incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended November 28, 2015 (File No. 001-07832).</u>
10.3.7	<u>Seventh Amendment to Office Lease between Hines VAV III Energy Way LLC and Pier 1 Services Company, dated September 23, 2016, incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended August 27, 2016 (File No. 001-07832).</u>
10.3.8	<u>Eighth Amendment to Office Lease between Hines VAV III Energy Way LLC and Pier 1 Services Company, dated September 8, 2017, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended August 26, 2017 (File No. 001-07832).</u>
10.4	<u>Private Label Credit Card Plan Agreement by and between World Financial Network Bank and Pier 1 Imports (U.S.), Inc., dated October 5, 2011, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on October 7, 2011 (File No. 001-07832). Some of the schedules and an exhibit to this agreement have been omitted pursuant to an order granting confidential treatment (File No. 001-07832).</u>
10.4.1	<u>First Amendment to the Private Label Credit Card Plan Agreement between Comenity Bank, formerly known as World Financial Network Bank and Pier 1 Imports (U.S.), Inc., dated November 13, 2017, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended November 25, 2017 (File No. 001-07832).</u>
10.5*	<u>Form of Indemnity Agreement between the Company and the directors and executive officers of the Company dated January 18, 2011, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-K for the year ended February 26, 2011 (File No. 001-07832).</u>
10.6*	<u>Pier 1 Imports, Inc. Supplemental Executive Retirement Plan, Restated as of January 1, 2009, incorporated herein by reference to Exhibit 10.5 to the Company's Form 10-Q for the quarter ended November 29, 2008 (File No. 001-07832).</u>
10.7*	<u>Pier 1 Imports, Inc. Supplemental Retirement Plan, Restated as of January 1, 2009, incorporated herein by reference to Exhibit 10.4 to the Company's Form 10-Q for the quarter ended November 29, 2008 (File No. 001-07832).</u>
10.8*	<u>Pier 1 Benefit Restoration Plan II, as amended and restated effective January 1, 2009, incorporated herein by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended November 29, 2008 (File No. 001-07832).</u>
10.8.1*	<u>Amendment No. 1, effective January 1, 2011, to Pier 1 Benefit Restoration Plan II, as amended and restated effective January 1, 2009, incorporated herein by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended November 27, 2010 (File No. 001-07832).</u>
10.9*	<u>Pier 1 Imports, Inc. Deferred Compensation Plan, effective January 1, 2011, incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended November 27, 2010 (File No. 001-07832).</u>
10.9.1*	<u>Pier 1 Imports, Inc. Deferred Compensation Plan Amendment No. 1, effective January 1, 2013, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended November 24, 2012 (File No. 001-07832).</u>

Exhibit No.	Description
10.9.2*	<u>Pier 1 Imports, Inc. Deferred Compensation Plan Amendment No. 2, effective January 1, 2018, incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended November 25, 2017 (File No. 001-07832).</u>
10.10*	<u>Pier 1 Umbrella Trust, dated December 21, 2005, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed December 21, 2005 (File No. 001-07832).</u>
10.10.1*	<u>Pier 1 Umbrella Trust Amendment No. 1, effective January 1, 2009, incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended November 29, 2008 (File No. 001-07832).</u>
10.10.2*	<u>Pier 1 Umbrella Trust Amendment No. 2, effective January 1, 2011, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended November 27, 2010 (File No. 001-07832).</u>
10.11*	<u>Pier 1 Imports, Inc. Stock Purchase Plan, Restated as Amended December 1, 2013, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended November 30, 2013 (File No. 001-07832).</u>
10.11.1*	<u>First Amendment to Pier 1 Imports, Inc. Stock Purchase Plan, dated June 20, 2014, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended May 31, 2014 (File No. 001-07832).</u>
10.12*	<u>Summary Plan Description of Pier 1 Imports Limited Severance Plan, Restated as of January 1, 2009, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended November 29, 2008 (File No. 001-07832).</u>
10.13*	<u>ERISA Plan Document and Summary Plan Description for the Pier 1 Imports, Inc. Supplemental Individual Disability Income Benefit Plan, effective September 1, 2012, incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended November 24, 2012 (File No. 001-07832).</u>
10.14*	<u>Summary Plan Description for Pier 1 Imports, Inc. Employee Life Insurance (Basic Insurance, Class 1), effective June 1, 2012, incorporated herein by reference to Exhibit 10.22 to the Company's Form 10-K for the year ended March 2, 2013 (File No. 001-07832).</u>
10.15*	<u>Pier 1 Imports, Inc. Non-Employee Director Compensation Plan, as amended effective June 26, 2018, filed incorporated herein by reference to Exhibit 10.8.9 to the Company's Form 10-K for the year ended March 3, 2018 (File No. 001-07832).</u>
10.15.1*	<u>Form of Restricted Stock Unit Award Agreement for Non-Employee Directors, incorporated herein by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended June 2, 2018 (File No. 001-07832).</u>
10.16*	<u>Pier 1 Imports, Inc. 2006 Stock Incentive Plan (Omnibus Plan), Restated as Amended through March 25, 2011, incorporated herein by reference to Exhibit 10.10 to the Company's Form 10-K for the year ended February 26, 2011 (File No. 001-07832).</u>
10.17*	<u>Pier 1 Imports, Inc. 2015 Stock Incentive Plan (Omnibus Plan), incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on June 26, 2015 (File No. 001-07832).</u>
10.17.1*	<u>First Amendment to Pier 1 Imports, Inc. 2015 Stock Incentive Plan (Omnibus Plan), dated June 22, 2017, incorporated herein by reference to Exhibit 10.13 to the Company's Form 10-Q for the quarter ended May 27, 2017 (File No. 001-07832).</u>
10.17.2*	<u>Second Amendment to Pier 1 Imports, Inc. 2015 Stock Incentive Plan (Omnibus Plan), dated April 5, 2018, incorporated herein by reference to Exhibit 10.18.2 to the Company's Form 10-K for the year ended March 3, 2018 (File No. 001-07832).</u>
10.17.3*	<u>Form of Restricted Stock Award Agreement – April 15, 2016 Time-Based Award, incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed on April 21, 2016 (File No. 001-07832).</u>
10.17.4*	<u>Form of Restricted Stock Award Agreement – May 24, 2016 Performance-Based Award, incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed on May 26, 2016 (File No. 001-07832).</u>
10.17.5*	<u>Form of Restricted Stock Award Agreement – May 24, 2016 Performance-Based Award ("ROIC"), incorporated herein by reference to Exhibit 10.3 to the Company's Form 8-K filed on May 26, 2016 (File No. 001-07832).</u>
10.17.6*	<u>Form of Restricted Stock Award Agreement – April 14, 2017 Time-Based Award, incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed on April 20, 2017 (File No. 001-07832).</u>
10.17.7*	<u>Form of Restricted Stock Award Agreement – April 14, 2017 Performance-Based Award ("EBITDA"), incorporated herein by reference to Exhibit 10.3 to the Company's Form 8-K filed on April 20, 2017 (File No. 001-07832).</u>

Exhibit No.	Description
10.17.8*	<u>Form of Restricted Stock Award Agreement – April 14, 2017 Performance-Based Award (“ROIC”), incorporated herein by reference to Exhibit 10.4 to the Company’s Form 8-K filed on April 20, 2017 (File No. 001-07832).</u>
10.17.9*	<u>Form of Restricted Stock Award Agreement – June 29, 2018 Time-Based Award, incorporated herein by reference to Exhibit 10.2 to the Company’s Form 10-Q for the quarter ended September 1, 2018 (File No. 001-07832).</u>
10.17.10*	<u>Form of Restricted Stock Award Agreement – June 29, 2018 Performance-Based Award (“EPS as adjusted”), incorporated herein by reference to Exhibit 10.3 to the Company’s Form 10-Q for the quarter ended September 1, 2018 (File No. 001-07832).</u>
10.18*	<u>Form of Retention Award Agreement, incorporated herein by reference to Exhibit 10.1 to the Company’s Form 8-K filed on September 28, 2016 (File No. 001-07832).</u>
10.19*	<u>Letter regarding employment dated March 28, 2017 between Alasdair James and Pier 1 Imports, Inc., incorporated herein by reference to Exhibit 10.1 to the Company’s Form 8-K filed on April 3, 2017 (File No. 001-07832).</u>
10.19.1*	<u>Executive Severance Agreement dated March 30, 2017 between Alasdair James and Pier 1 Imports, Inc., incorporated herein by reference to Exhibit 10.2 to the Company’s Form 8-K filed on April 3, 2017 (File No. 001-07832).</u>
10.19.2*	<u>Non-Qualified Stock Option Agreement Pursuant to the Pier 1 Imports, Inc. 2015 Stock Incentive Plan, dated May 2, 2017, between Alasdair B. James and Pier 1 Imports, Inc., incorporated herein by reference to Exhibit 10.5 to the Company’s Form 10-Q for the quarter ended May 27, 2017 (File No. 001-07832).</u>
10.19.3*	<u>Pier 1 Imports, Inc. Non-Qualified Stock Option Agreement, dated May 2, 2017, between Alasdair B. James and Pier 1 Imports, Inc., incorporated herein by reference to Exhibit 10.6 to the Company’s Form 10-Q for the quarter ended May 27, 2017 (File No. 001-07832).</u>
10.19.4*	<u>Restricted Stock Award Agreement - May 2, 2017 Time-Based Award (Ratable Vest), between Alasdair B. James and Pier 1 Imports, Inc., incorporated herein by reference to Exhibit 10.7 to the Company’s Form 10-Q for the quarter ended May 27, 2017 (File No. 001-07832).</u>
10.19.5*	<u>Restricted Stock Award Agreement - May 2, 2017 Time-Based Award (Cliff Vest), between Alasdair B. James and Pier 1 Imports, Inc., incorporated herein by reference to Exhibit 10.8 to the Company’s Form 10-Q for the quarter ended May 27, 2017 (File No. 001-07832).</u>
10.19.6*	<u>Restricted Stock Award Agreement – May 2, 2017 Performance-Based Award (“EBITDA”), between Alasdair B. James and Pier 1 Imports, Inc., incorporated herein by reference to Exhibit 10.9 to the Company’s Form 10-Q for the quarter ended May 27, 2017 (File No. 001-07832).</u>
10.19.7*	<u>Restricted Stock Award Agreement – May 2, 2017 Performance-Based Award (“ROIC”), between Alasdair B. James and Pier 1 Imports, Inc., incorporated herein by reference to Exhibit 10.10 to the Company’s Form 10-Q for the quarter ended May 27, 2017 (File No. 001-07832).</u>
10.19.8*	<u>Cash-Based Long-Term Incentive Award Agreement (“EPS as adjusted”) dated July 9, 2018 between Alasdair B. James and Pier 1 Imports, Inc., incorporated herein by reference to Exhibit 10.1 to the Company’s Form 10-Q for the quarter ended September 1, 2018 (File No. 001-07832).</u>
10.20*	<u>Restricted Stock Award Agreement – May 1, 2017 Time-Based Award, between Terry E. London and Pier 1 Imports, Inc., incorporated herein by reference to Exhibit 10.4 to the Company’s Form 10-Q for the quarter ended May 27, 2017 (File No. 001-07832).</u>
10.21*	<u>Letter regarding employment dated December 29, 2017 between Nancy A. Walsh and Pier 1 Imports, Inc., incorporated herein by reference to Exhibit 10.1 to the Company’s Form 8-K filed on January 3, 2018 (File No. 001-07832).</u>
10.21.1*	<u>Restricted Stock Award Agreement dated January 25, 2018, between Nancy A. Walsh and Pier 1 Imports, Inc., incorporated herein by reference to Exhibit 10.1 to the Company’s Form 8-K filed on January 31, 2018 (File No. 001-07832).</u>
10.21.2*	<u>Executive Severance Agreement dated January 25, 2018, between Nancy A. Walsh and Pier 1 Imports, Inc., incorporated herein by reference to Exhibit 10.2 to the Company’s Form 8-K filed on January 31, 2018 (File No. 001-07832).</u>

Exhibit No.	Description
10.21.3*	<u>Form of Retention Award Agreement between Pier 1 Imports, Inc. and Nancy A. Walsh, incorporated herein by reference to Exhibit 10.3 to the Company's Form 8-K filed on November 5, 2018 (File No. 001-07832).</u>
10.21.4*	<u>First Amended and Restated Retention Award Agreement between Pier 1 Imports, Inc. and Nancy A. Walsh dated January 8, 2019, incorporated herein by reference to Exhibit 10.8 to the Company's Form 10-Q for the quarter ended December 1, 2018 (File No. 001-07832).</u>
10.22*	<u>Employment Letter dated November 2, 2018 between Pier 1 Services Company and Donna Noce Colaco, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on November 5, 2018 (File No. 001-07832).</u>
10.22.1*	<u>Form of Executive Agreement between Pier 1 Imports, Inc. and Donna Noce Colaco, incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed on November 5, 2018 (File No. 001-07832).</u>
10.22.2*	<u>Restricted Stock Award Agreement between Pier 1 Imports, Inc. and Donna Noce Colaco, dated December 3, 2018, incorporated herein by reference to Exhibit 10.4 to the Company's Form 10-Q for the quarter ended December 1, 2018 (File No. 001-07832).</u>
10.23	<u>Restricted Stock Award Agreement between Pier 1 Imports, Inc. and Cheryl A. Bachelder dated December 28, 2018, incorporated herein by reference to Exhibit 10.7 to the Company's Form 10-Q for the quarter ended December 1, 2018 (File No. 001-07832).</u>
10.24	<u>Form of Retention Bonus Repayment Agreement between Pier 1 Services Company and Darla D. Ramirez, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 18, 2019 (File No. 001-07832).</u>
10.25*+	<u>Letter regarding employment dated November 27, 2017 between William H. Savage and Pier 1 Services Company.</u>
10.25.1*+	<u>Executive Agreement dated December 7, 2017 between William H. Savage and Pier 1 Imports, Inc.</u>
10.25.2*+	<u>Restricted Stock Award Agreement, Performance-Based Award ("Sourcing Expense Savings"), dated June 29, 2018 between William H. Savage and Pier 1 Imports, Inc.</u>
10.25.3*+	<u>Retention Award Agreement dated January 10, 2019, between Pier 1 Imports, Inc. and William H. Savage.</u>
10.26*+	<u>Retention Award Repayment Agreement dated May 7, 2018, between Mark R. Haley and Pier 1 Imports Inc.</u>
10.26.1*+	<u>First Amended and Restated Retention Award Agreement between Mark R. Haley and Pier 1 Imports, Inc. dated January 9, 2019.</u>
10.27*+	<u>Letter regarding employment dated March 8, 2018 between and Kelly N. Cook and Pier 1 Services Company.</u>
10.27.1*+	<u>Executive Agreement dated March 19, 2018 between Kelly N. Cook and Pier 1 Imports, Inc.</u>
10.27.2*+	<u>Retention Award Agreement dated December 3, 2018 between Kelly N. Cook and Pier 1 Imports, Inc.</u>
10.28*+	<u>Letter regarding employment dated January 15, 2019 between Robert E. Bostrom and Pier 1 Services Company.</u>
10.28.1*+	<u>Executive Agreement dated January 23, 2019 between Robert E. Bostrom and Pier 1 Imports, Inc.</u>
10.28.2*+	<u>Restricted Stock Award Agreement between Pier 1 Imports, Inc. and Robert E. Bostrom dated January 23, 2019, filed herewith.</u>
10.28.3*+	<u>Sign-on Bonus Repayment Agreement dated January 23, 2019 between Robert E. Bostrom and Pier 1 Services Company.</u>
10.28.4*+	<u>Executive Relocation Repayment Agreement dated January 23, 2019 between Robert E. Bostrom and Pier 1 Services Company.</u>
21+	<u>Subsidiaries of the Company.</u>

Exhibit No.	Description
23+	<u>Consent of Ernst & Young LLP.</u>
31.1+	<u>Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).</u>
31.2+	<u>Certification of the Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).</u>
32.1**	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
99.1**	<u>Pier 1 Imports, Inc. Stock Purchase Plan Audit Report.</u>
101.INS+	XBRL Instance Document.
101.SCH+	XBRL Taxonomy Extension Schema Document.
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF+	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB+	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase Document.
*	<i>Management Contracts and Compensatory Plans</i>
+	<i>Filed herewith</i>
**	<i>Furnished herewith</i>

SIGNATURES

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

PIER 1 IMPORTS, INC.

Date: April 29, 2019

By: /s/ Cheryl A. Bachelder
Cheryl A. Bachelder
Interim Chief Executive Officer

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Terry E. London</u> Terry E. London	Director, Chairman of the Board	April 29, 2019
<u>/s/ Cheryl A. Bachelder</u> Cheryl A. Bachelder	Director and Interim Chief Executive Officer	April 29, 2019
<u>/s/ Darla D. Ramirez</u> Darla D. Ramirez	Principal Accounting Officer and Interim Principal Financial Officer	April 29, 2019
<u>/s/ Claire H. Babrowski</u> Claire H. Babrowski	Director	April 29, 2019
<u>/s/ Robert L. Bass</u> Robert L. Bass	Director	April 29, 2019
<u>/s/ Hamish A. Dodds</u> Hamish A. Dodds	Director	April 29, 2019
<u>/s/ Brendan L. Hoffman</u> Brendan L. Hoffman	Director	April 29, 2019

/s/ Katherine M.A. ("Allie") Kline
Katherine M.A. ("Allie") Kline

Director

April 29, 2019

/s/ Michael A. Peel
Michael A. Peel

Director

April 29, 2019

/s/ Ann M. Sardini
Ann M. Sardini

Director

April 29, 2019



November 27, 2017

William Savage
Via electronic mail

Dear William,

This letter confirms the offer of employment with Pier 1 Services Company ("Pier 1 Imports" or "the Company") for the position of Executive Vice President Sourcing in Fort Worth, Texas, effective December 7, 2017, pursuant to the terms of the attached Employment Term Sheet. The position reports to the President and Chief Executive Officer at a starting base salary of \$450,000 per year (\$17,307.69 bi-weekly); in each case subject to required withholdings for applicable taxes and voluntary pay deductions.

Pier 1 Imports' offer is made given your indication that you are not subject to any arrangement, agreement or restriction that would preclude you in any way from accepting employment with Pier 1 Imports whether serving in the above position or another position with the Company. This offer of employment is also contingent upon the completion, receipt and review of all references and background checks currently underway, each subject to the Company's approval and upon receiving the approval of this offer of employment by the Company's Compensation Committee of the Board of Directors.

If this letter and the attached Employment Term Sheet correctly sets forth your understanding of Pier 1 Imports' offer of employment, then please sign where indicated below to acknowledge your acceptance and return a copy to me.

Sincerely,

By: /s/ Greg Humenesky
Executive Vice President, Human Resources
Pier 1 Services Company
By: Pier 1 Holdings, Inc., its managing trustee

Agreed to:

/s/ William Savage
William Savage

11/30/2017
Date

cc: Alasdair James

**EMPLOYMENT TERM SHEET
FOR
WILLIAM SAVAGE**

This term sheet summarizes the principal terms and conditions of the proposed employment of William Savage ("Executive") by Pier 1 Services Company.

Position	Executive Vice President, Sourcing
Office location	Company Headquarters, Fort Worth, Texas
Duties and Reporting Relationships	Duties commensurate with position, reporting directly to President and Chief Executive Officer
Base Salary	\$450,000 per year, subject to annual review by the Compensation Committee.
Sign on Bonus	\$150,000 payable upon completion of 60 days of employment; subject to pro rata clawback in the event Executive voluntarily leaves the Company or is terminated for Cause (as defined in the Severance Agreement referenced below) within 12 months following commencement of employment.
Annual short-term incentives	<p>Participation in the company's annual cash incentive program at a level commensurate with other senior officers.</p> <p>For fiscal year 2018, the target bonus opportunity will be 75% of base salary, prorated from date of hire; guaranteed payout equal to greater of \$150,000 or the prorated amount earned as a participant of the Pier 1 Imports FY18 Plan.</p>
Initial Time-Vesting Stock Award	One-time grant of restricted stock having a value equal to \$225,000, granted upon commencement of employment. Vests in equal annual installments on each of the first three anniversaries of the grant date, subject to Executive's continued employment with the Company.

Performance-Based Stock Award	One-time grant of performance-based restricted stock on March 4, 2018, with the number of shares determined based on a target value of \$337,500 (75% of base salary) divided by the 30-day trailing average of the closing price of Pier 1 Imports, Inc. common stock as of the employment start date. The award is subject to cliff vesting at the end of fiscal year 2021 (upon filing of FY 2021 annual report on Form 10-K) based on attainment of at least [] in savings relating to sourcing expenses during fiscal 2021 as compared to such expenses in fiscal 2018, with an opportunity to vest in 2X the target number of shares for cost savings of at least []. The fiscal 2018 baseline for measuring savings will be established on or after March 4, 2018. Details on the calculation of sourcing expenses will be set forth in the award agreement.
Future Equity Awards	Eligible for grants of stock awards under the Company's long-term equity incentive program at a level commensurate with other senior officers.
Severance	<p>The Company and Executive will enter into a Severance Agreement providing for 12 months of salary continuation in the event Executive's employment with the Company is terminated by the Company without Cause or by Executive for Good Reason.</p> <p>Pursuant to the Severance Agreement, you will be subject to non-compete and vendor, customer and employee non-solicitation provisions for a period of one year following your termination of employment, and non-disclosure provisions following your termination of employment.</p>
Group insurance plan	<p>Managed health plan, long-term disability, dental insurance, accident insurance, vision and life insurance, and a prescription drug plan.</p> <p>Pier 1 will reimburse Executive for COBRA costs pending eligibility for Pier 1's welfare plans,</p>
Stock purchase plan	Facilitates purchase of Pier 1 stock through contributions of up to 20% of eligible compensation, plus company matching contributions of 25% of amounts contributed.

Deferred compensation plan	Includes company matching contributions equal to 100% of the first 1% of eligible compensation deferred and 50% of the next 4% of eligible compensation deferred
401(k) retirement plan	Includes company matching contributions based on pre-tax contributions to the plan equal to 100% of the first 1% of eligible compensation to the plan and 50% of the next 4% of eligible compensation contributed to the plan.
Relocation	Up to \$90,000 in accordance with the Company's standard relocation policy.
Vacation	Two weeks of vacation to expire at the end of the current fiscal year (Fiscal 2018); 4 weeks granted on the first day of the fiscal year (Fiscal 2019).
Merchandise discount	25% discount on all Pier 1 Imports merchandise.



EXECUTIVE SEVERANCE AGREEMENT

By this Executive Severance Agreement dated December 7, 2017 ("Agreement"), Pier 1 Imports, Inc. and its affiliates and subsidiaries (herein "Pier 1 Imports" and/or "Company"), and William H. Savage ("Executive"), intending to be legally bound, and for good and valuable consideration, agree as follows:

1. Effect of Severance

(a) Severance Benefits. If Executive is involuntarily terminated without "Cause" or Executive voluntarily terminates Executive's employment for "Good Reason" (as such terms are defined in Section 2 below), Executive shall be entitled to the benefits described in subsection (i) and (ii) below (collectively referred to herein as "Severance Benefits"). Executive shall not be entitled to the Severance Benefits if Executive's employment terminates for any other reason, including due to death or "Disability" (as defined in Section 2 below). Executive shall also not be entitled to Severance Benefits if Executive does not meet all of the other requirements under this Agreement, including under subsection 1(c). The date Executive's employment terminates for any reason under this Agreement is referred to as the "Date of Termination."

(i) Continuation of Salary.

(1) Pier 1 Imports shall pay Executive cash severance equal to one times Executive's annual base salary rate in effect as of the Date of Termination. Subject to subsection (a)(i)(2) below, payment of such amount ("Salary Continuation") shall commence on Executive's "Separation from Service" (as defined in Section 2 below) and shall be paid in substantially equal installments on each regular salary payroll date for a period of twelve (12) months following the Date of Termination ("Salary Continuation Period"), except as otherwise provided in this Agreement.

Notwithstanding the foregoing, the Pier 1 Imports obligations under this subsection (a)(i)(1) shall be reduced on a dollar-for-dollar basis (but not below zero), by the amount, if any, of fees, salary or wages that Executive earns from a subsequent employer (including those arising from self-employment) during the Salary Continuation Period. For avoidance of doubt, Executive shall not be obligated to seek affirmatively or accept an employment, contractor, consulting or other arrangement in order to mitigate Salary Continuation. Further, to the extent Executive does not execute and timely submit the General Release and Waiver (in accordance with subsection 1(c) below) by the deadline specified therein, Salary Continuation payments shall terminate and forever lapse, and Executive shall be required to reimburse Pier 1 Imports for any portion of the Salary Continuation paid during the Salary Continuation Period.

(2) Notwithstanding anything in this subsection (a)(i) to the contrary, if the Salary Continuation payable to Executive in accordance with subsection (a)(i)(1) above during the first six (6) months after Executive's Separation from Service would exceed the "Section 409A Threshold" and if as of the date of the Separation from Service Executive is a "Specified Employee" (as such terms are defined in Section 2 below), then, payment shall be made to Executive on each regular salary payroll date during the first six (6) months of the Salary Continuation Period until the aggregate amount received equals the Section 409A Threshold. Any portion of the Salary Continuation in excess of the Section 409A Threshold that would otherwise be paid during such first six (6) months, or any portion of the Salary Continuation that is otherwise subject to Section 409A, shall instead be paid to Executive in a lump sum payment on the date that is six (6) months and one (1) day after the date of Executive's Separation from Service.

(3) All Salary Continuation payments (described under this subsection (a)(i)) will terminate and forever lapse in the event of Executive's breach of this Agreement (in accordance with Section 12 below), and Executive shall be required to reimburse Pier 1 Imports for any portion of the Salary Continuation paid during the Salary Continuation Period.

(ii) Outplacement.

As of Executive's Separation from Service, Executive will be immediately eligible for reasonable outplacement services at the expense of Pier 1 Imports. Pier 1 Imports and Executive will mutually agree on which outplacement firm, among current vendors used by Pier 1, will provide these services. Such services will be provided for up to twelve (12) months from the Separation from Service or until employment is obtained, whichever occurs first. Outplacement benefits described in this subsection (a)(ii) will terminate and forever lapse in the event of Executive's breach of this Agreement (in accordance with Section 12 below).

(iii) Other.

(1) In addition to the foregoing Severance Benefits, a lump sum payment will be made to Executive within ten (10) business days following the Date of Termination in an amount equal to the sum of any base salary and any unused vacation benefits that have accrued through the Date of Termination to the extent allowable pursuant to the Company's policies and which have not already been paid. No vacation benefits will accrue during the Salary Continuation Period.

(2) Notwithstanding the foregoing and anything herein to the contrary, in the event of Executive's death during the Salary Continuation Period, any unpaid portion of the Salary Continuation payable in accordance with subsection (a)(i) above shall be paid in a lump sum, within sixty (60) days of death (and no later than such amounts would have been paid absent death), to Executive's estate.

(b) Impact of Termination on Certain Other Plans/Programs.

(i) Annual Incentive Plan.

Upon Executive's Date of Termination, Executive's entitlement to any award under any applicable short-term cash incentive program ("STI") sponsored by Pier 1 Imports shall be determined in accordance with the terms and conditions of the applicable STI award letter and governing plan document regarding termination of employment.

(ii) Long-Term Equity Incentive Program(s).

Upon Executive's Date of Termination, Executive's entitlement to any award granted to Executive under a long-term equity incentive program ("LTI") sponsored by Pier 1 Imports, including any unvested options, restricted stock or other equity award granted to Executive, shall be determined in accordance with the terms and conditions of the applicable award agreement and governing plan document regarding termination of employment.

(c) Upon Executive's Date of Termination (whether initiated by Pier 1 Imports or Executive) potentially entitling Executive to Severance Benefits, Executive will execute a binding general release and waiver of claims ("General Release and Waiver") in a form substantially similar to the attached sample. If the General Release and Waiver is not signed within the time specified in the General Release and Waiver or is signed but subsequently revoked, Executive will not continue to receive any Severance Benefits otherwise payable under subsection 1(a) above. Further, Executive shall be obligated to reimburse Pier 1 Imports for any portion of (i) the Salary Continuation paid during the Salary Continuation Period under subsection (1)(a)(i) herein. A sample of this General Release and Waiver is provided as Exhibit A to this Agreement.

(d) Post-Termination Forfeiture of Severance Benefits. If Pier 1 Imports determines after Executive's Date of Termination that Executive engaged in activity during employment with Pier 1 Imports that constituted Cause, Executive shall immediately cease to be eligible for Severance Benefits and shall be required to reimburse Pier 1 Imports for any portion of the Salary Continuation paid to Executive and for the cost of other Severance Benefits received by Executive during the Salary Continuation Period.

2. Definitions. For purposes of this Agreement, each capitalized term in this Agreement is either defined in the section, exhibit or appendix in which it first appears or in this Section 2. The following capitalized terms shall have the definitions as set forth below:

(a) "Cause" shall mean a good faith determination by the Board of Directors of Pier 1 Imports, Inc. ("Board") that any of the following has occurred: (i) the Executive's material or habitual failure to follow the reasonable and lawful directions of any superior officer of the Company, provided the direction(s) is not materially inconsistent with the duties or responsibilities of the Executive's position, or to perform his duties with the Company (other than any such failure resulting from the Executive's Disability) which failure is not cured within ten (10) days after a written demand for performance is delivered to the Executive by the Company which specifically identifies the manner in which the Company believes that the Executive has materially or habitually failed to perform the Executive's duties; (ii) the Executive's charge with, indictment for, conviction of, or entry of a plea of guilty or nolo contendere or no contest with respect to: (a) any felony, or any misdemeanor involving dishonesty or moral turpitude (including pleading guilty or nolo contendere to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of the Company, or (b) any crime connected with the business of the Company; (iii) the Executive's engaging in any gross negligence or gross misconduct in connection with the performance of his duties hereunder, which is, or is likely to be, materially injurious to the Company, its financial condition, or its reputation; (iv) the Executive's commission of or engagement in any act of fraud, misappropriation, material dishonesty, or embezzlement, whether or not such act was committed in connection with the business of the Company; (v) the Executive's breach of fiduciary duty, breach of any of the covenants set forth in Section 6 of this Agreement, or material breach of any other provisions of this Agreement; or (vi) the Executive's violation of the Company's policy against harassment, its equal employment opportunity policy, or the Company's code of business conduct, or a material violation of any other policy or procedure of the Company.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Disability" shall mean disability as defined under the Pier 1 Imports long-term disability plan (regardless of whether the Executive is a participant under such plan).

(d) "Good Reason" shall mean, without Executive's written consent, (i) a reduction of more than ten percent (10%) in the sum of Executive's annual base salary and target STI award as a percentage of base salary from those in effect as of the date of this Agreement; (ii) a material diminution in Executive's authority, duties or responsibilities; (iii) Executive's mandatory relocation to an office more than fifty (50) miles from the primary location at which Executive is required to perform Executive's duties as of the date of this Agreement; or (iv) any other action or inaction that constitutes a material breach of the terms of this Agreement by Company, including failure of a successor company to assume or fulfill the obligations under this Agreement. Notwithstanding the foregoing or anything to the contrary contained herein, the Company's compliance with the "Employment Term Sheet" for Executive under cover of the offer letter dated November 27, 2017 shall not result in any reduction under this paragraph (for purpose of example only, if Executive's targeted participation in the Company's annual short-term cash incentive program for fiscal 2019 at a level commensurate with other senior officers results in a payout that is less than Executive's guaranteed payout of \$150,000 for fiscal 2018, such payout shall not constitute a reduction or diminution under this paragraph). In each case, Executive must provide Pier 1 Imports with written notice of the facts giving rise to a claim that "Good Reason" exists for purposes of this Agreement, within thirty (30) days of the initial existence of such Good Reason event, and Pier 1 Imports shall have the right to remedy such event within sixty (60) days after receipt of Executive's written notice ("the sixty (60) day period"). If Pier 1 Imports remedies the Good Reason event within the sixty (60) day period, the Good Reason event (and Executive's right to receive any benefit under this Agreement on account of termination of employment for Good Reason) shall cease to exist. If Pier 1 Imports does not remedy the Good Reason event within the sixty (60) day period, and Executive does not incur a termination

of employment within thirty (30) days following the earlier of: (y) the date Pier 1 Imports notifies Executive that it does not intend to remedy the Good Reason or does not agree that there has been a Good Reason event, or (z) the expiration of the sixty (60) day period, the Good Reason event (and Executive's right to receive any benefit under this Agreement on account of termination of employment for Good Reason) shall cease to exist. Notwithstanding the foregoing, if Executive fails to provide written notice to Pier 1 Imports of the facts giving rise to a claim of Good Reason within thirty (30) days of the initial existence of such Good Reason event, the Good Reason event (and Executive's right to receive any benefit under this Agreement on account of termination of employment for Good Reason) shall cease to exist as of the thirty-first (31st) day following the later of its occurrence or Executive's knowledge thereof.

(e) "Section 409A Threshold" shall mean an amount equal to two times the lesser of (i) Executive's base salary for services provided to Pier 1 Imports as an employee for the calendar year preceding the calendar year in which Executive has a Separation from Service; or (ii) the maximum amount that may be taken into account under a qualified plan in accordance with Code Section 401(a)(17) for the calendar year in which the Executive has a Separation from Service. In all events, this amount shall be limited to the amount specified under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A) or any successor thereto.

(f) "Separation from Service" shall mean a "separation from service" with Pier 1 Imports within the meaning of Code Section 409A (and regulations issued thereunder). Notwithstanding anything herein to the contrary, the fact that Executive is treated as having incurred a Separation from Service under Code Section 409A and the terms of this Agreement shall not be determinative, or in any way affect the analysis, of whether Executive has retired, terminated employment, separated from service, incurred a severance from employment or become entitled to a distribution, under the terms of any retirement plan (including pension plans and 401(k) savings plans) maintained by Pier 1 Imports and to which Executive is a participant.

(g) "Specified Employee" shall mean a "specified employee" under Code Section 409A (and regulations issued thereunder).

3. Intellectual Property Rights. Executive acknowledges that Executive's development, work or research on any and all inventions or expressions of ideas, that may or may not be eligible for patent, copyright, trademark or trade secret protection, hereafter made or conceived solely or jointly within the scope of employment at Pier 1 Imports, provided such invention or expression of an idea relates to the business of Pier 1 Imports, or relates to actual or demonstrably anticipated research or development of Pier 1 Imports, or results from any work performed by Executive for or on behalf of Pier 1 Imports, are hereby assigned to Pier 1 Imports, including Executive's entire rights, title and interest. Executive will promptly disclose such invention or expression of an idea to Executive's management and will, upon request, promptly execute a specific written assignment of title to Pier 1 Imports. If Executive currently holds any inventions or expressions of an idea, regardless of whether they were published or filed with the U.S. Patent and Trademark Office or the U.S. Copyright Office, or is under contract to not so assign, Executive will list them on the last page of this Agreement.

4. Protective Covenants. Executive acknowledges that this Agreement provides for additional consideration beyond employment itself and beyond what Pier 1 Imports is otherwise obligated to provide. In consideration of the opportunity for the Severance Benefits, and other good and valuable consideration, including such consideration as is set forth in the offer letter presented to Executive (and executed by Executive and Pier 1 Imports), Executive agrees to the following:

(a) Non-Disclosure of Confidential Information and Return of Property. Executive acknowledges and agrees to be bound by the following, whether or not Executive receives any Severance Benefits under this Agreement:

(i) Non-Disclosure of Confidential Information.

Pier 1 Imports agrees that during Executive's employment with Pier 1 Imports, Pier 1 Imports shall give Executive access to Confidential Information. Executive agrees that he shall not, directly or indirectly, use any Confidential Information on his own behalf or on behalf of any person or entity other than Pier 1 Imports, or reveal, divulge, or disclose any Confidential Information to any person or entity not expressly authorized by Pier 1 Imports to receive such Confidential Information. This obligation shall remain in effect for as long as the information or materials in question retain their status as Confidential Information. Executive further agrees that he shall fully cooperate with Pier 1 Imports in maintaining the Confidential Information to the extent permitted by law. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either Pier 1 Imports' rights or Executive's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, Executive shall not be restricted from: (A) disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; *provided, however*, that in the event such disclosure is required by law, Executive shall provide Pier 1 Imports with prompt notice of such requirement so that Pier 1 Imports may seek an appropriate protective order prior to any such required disclosure by Executive; (B) reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, or from making other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation, and Executive shall not need the prior authorization of Pier 1 Imports to make any such reports or disclosures and shall not be required to notify Pier 1 Imports that Executive has made such reports or disclosures; (C) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, in either event solely for the purpose of reporting or investigating a suspected violation of law; or (D) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(ii) Definition of Confidential Information.

"Confidential Information" means any and all data and information relating to Pier 1 Imports, its activities, business, or customers that (i) is disclosed to Executive or of which Executive becomes aware as a consequence of his employment with Pier 1 Imports; (ii) has value to Pier 1 Imports; and (iii) is not generally known outside of Pier 1 Imports. "Confidential Information" shall include, but is not limited to the following types of information regarding, related to, or concerning Pier 1 Imports: trade secrets (as defined by applicable law); financial plans and data; management planning information; business plans; operational methods; market studies; marketing plans or strategies; pricing information; product development techniques or plans; listings of customers, buying agents, vendors and manufacturers; customer, buying agent, vendor and manufacturer files, data and financial information; details of customer, buying agent, vendor and manufacturer contracts; current and anticipated customer, buying agent, vendor and manufacturer requirements; identifying and other information pertaining to business referral sources; past, current and planned research and development; computer aided systems, software, strategies and programs; business acquisition plans; management organization and related information (including, without limitation, data and other information concerning the compensation and benefits paid to officers, directors, employees and management); personnel and compensation policies; new personnel acquisition plans; and other similar information. "Confidential Information" also includes combinations of information or materials which individually may be generally known outside of Pier 1 Imports, but for which the nature, method, or procedure for combining such information or materials is not generally known outside of Pier 1 Imports. In addition to data and information relating to Pier 1 Imports, "Confidential Information" also includes any and all data and information relating to or concerning a third party that otherwise meets the definition set forth above, that was provided or made available to Pier 1 Imports by such third party, and that Pier 1 Imports has a duty or obligation to keep confidential. This definition shall not limit any definition of "confidential information" or any equivalent term under state or federal law. "Confidential Information" shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of Pier 1 Imports.

(iii) Return of Materials.

Executive agrees that he will not retain or destroy (except as set forth below), and will immediately return to Pier 1 Imports on or prior to the Date of Termination, or at any other time Pier 1 Imports requests such return, any and all property of Pier 1 Imports that is in his possession or subject to his control, including, but not limited to, customer, buying agent, vendor and manufacturer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, keys, access cards, credit cards, identification cards, equipment, computers, mobile devices, other electronic media, all other files and documents relating to Pier 1 Imports and its business (regardless of form, but specifically including all electronic files and data of Pier 1 Imports), together with all Confidential Information belonging to Pier 1 Imports or that Executive received from or through his employment with Pier 1 Imports. Executive will not make, distribute, or retain copies of any such information or property. To the extent that Executive has electronic files or information in his possession or control that belong to Pier 1 Imports or contain Confidential Information (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to the Date of Termination, or at any other time Pier 1 Imports requests, Executive shall (A) provide Pier 1 Imports with an electronic copy of all of such files or information (in an electronic format that readily accessible by Pier 1 Imports); (B) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-Pier 1 Imports owned computers, mobile devices, electronic media, cloud storage, and other media, devices, and equipment, such that such files and information are permanently deleted and irretrievable; and (C) provide a written certification to Pier 1 Imports that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted.

(b) Non-Recruitment of Employees and Independent Contractors. During Executive's employment with Pier 1 Imports and for twelve (12) months following the Date of Termination, whether or not Executive receives any Severance Benefits under this Agreement, Executive will not, directly or indirectly, whether on his own behalf or as a principal or representative of any other person or entity, recruit, solicit, or induce or attempt to recruit, solicit or induce any employee or independent contractor of Pier 1 Imports to terminate his/her employment or other relationship with Pier 1 Imports or to enter into employment or any other kind of business relationship with Executive or any other person or entity.

(c) Non-Competition. During Executive's employment with Pier 1 Imports and for twelve (12) months following the Date of Termination, whether or not Executive receives any Severance Benefits under this Agreement, Executive will not, within the United States, directly or indirectly, engage, either as a principal, management employee, partner, consultant, officer, director or investor (other than a less-than-1% stock interest in a corporation), in a business which is a competitor of the Company. For purposes of this subsection 4(c), a business shall be deemed a "competitor" of the Company if it engages in the commerce of a Specialty Home Fashions or Furniture Business or of an Off-Price Home Fashions or Furniture Business, whether through stores (retail or wholesale), on-line e-commerce or any combination thereof.

The term "Specialty Home Fashions or Furniture Business" shall mean a business (however organized or conducted, including any on-line e-commerce operations) that operates retailing of conventional or full-markup predominantly of its own branded merchandise consisting of furniture, decorative accessories, housewares, bed and bath, and seasonal goods, or any other category of merchandise sold by the Company during the Executive's employment, that is manufactured specifically for the business, requires a significant degree of handcraftsmanship and is mostly imported from foreign suppliers. By way of illustration, a "Specialty Home Fashions or Furniture Business" shall include such businesses as the Company, Restoration Hardware, Inc., Kirkland's, Inc., Williams-Sonoma, Inc., Pottery Barn, Inc. and Bed, Bath & Beyond, Inc. and stores under the names "World Market," "Cost Plus," "Cost Plus World Market," "Crate & Barrel," "Home Goods," "IKEA," "Wayfair," "Hayneedle," and "At Home."

The term “Off-Price Home Fashions or Furniture Business” shall mean a business (however organized or conducted, including any on-line e-commerce operations) that operates retailing of predominantly branded and/or designer merchandise of third parties consisting of home fashions and/or furnishings at prices significantly less than or discounted from those of specialty stores and/or department stores. By way of illustration, an “Off-Price Home Fashions or Furniture Business” shall include such businesses as The TJX Companies, Inc. and Ross Stores, Inc.

The Company may from time to time prior to, and during the thirty (30) days following, any Date of Termination, by written notice to the Executive, for purposes of clarification, add to the list of illustrative examples of a Specialty Home Fashions or Furniture Business and an Off-Price Home Fashions or Furniture Business set forth in this subsection 4(c) the names of other companies or businesses meeting the definitions of such terms.

5. Enforcement of Protective Covenants.

(a) Rights and Remedies Upon Breach. The parties specifically acknowledge and agree that the remedy at law for any breach of the restrictions in Section 4 of this Agreement (the “Protective Covenants”) will be inadequate, and that in the event Executive breaches, or threatens to breach, any of the Protective Covenants, Pier 1 Imports shall have the right and remedy, without the necessity of proving actual damage or posting any bond, to enjoin, preliminarily and permanently, Executive from violating or threatening to violate the Protective Covenants and to have the Protective Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Protective Covenants would cause irreparable injury to Pier 1 Imports and that money damages would not provide an adequate remedy to Pier 1 Imports. Executive understands and agrees that if he violates any of the obligations set forth in the Protective Covenants, the period of restriction applicable to each obligation violated shall cease to run during the pendency of any litigation over such violation, provided that such litigation was initiated during the period of effectiveness of the Protective Covenants. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to Pier 1 Imports at law or in equity. Pier 1 Imports’ ability to enforce its rights under the Protective Covenants or applicable law against Executive shall not be impaired in any way by the existence of a claim or cause of action on the part of Executive based on, or arising out of, this Agreement or any other event or transaction.

(b) Severability and Modification of Covenants. Executive acknowledges and agrees that each of the Protective Covenants is reasonable and valid in time and scope and in all other respects. The parties agree that it is their intention that the Protective Covenants be enforced in accordance with their terms to the maximum extent permitted by law. Each of the Protective Covenants shall be considered and construed as a separate and independent covenant. Should any part or provision of any of the Protective Covenants be held invalid, void, or unenforceable, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Agreement or such Protective Covenant. If any of the provisions of the Protective Covenants should ever be held by a court of competent jurisdiction to exceed the scope permitted by the applicable law, such provision or provisions shall be automatically modified to such lesser scope as such court may deem just and proper for the reasonable protection of Pier 1 Imports’ legitimate business interests and may be enforced by Pier 1 Imports to that extent in the manner described above and all other provisions of this Agreement shall be valid and enforceable.

6. Non-Disparagement. Executive shall not (i) in any way publicly disparage Pier 1 Imports or its equity holders, officers, directors, employees or agents, (ii) cause embarrassment or public humiliation to such entities or persons, or (iii) make any public statement that is adverse, inimical or otherwise detrimental to the interests of any such entities or persons. This Section 6 shall not in any way limit any of Executive’s rights that are expressly reserved in the final sentence of Section 4(a)(i), or in any way limit Executive’s ability to provide truthful testimony or information in response to a subpoena, court or arbitral order, or valid request by a government entity, or as otherwise required by law.

7. Cooperation. Executive agrees, without receiving additional compensation, to fully and completely cooperate with Pier 1 Imports, both during and after his period of employment with Pier 1 Imports (including any Salary Continuation Period), with respect to matters that relate to Executive’s period of employment, in all investigations, potential litigation or litigation in which Pier 1 Imports is involved or may become involved, other than any such investigations, potential litigation or litigation between Pier 1 Imports and Executive. Pier 1 Imports will reimburse Executive for reasonable travel and out-of-pocket expenses incurred in connection with any such investigations, potential litigation or litigation.

8. Existing Covenants. Executive represents and warrants that his employment with Pier 1 Imports does not and will not breach any agreement that Executive has with any former employer to keep in confidence proprietary or confidential information or not to compete with any such former employer. Executive will not disclose to Pier 1 Imports or use on its behalf any proprietary or confidential information of any other party required to be kept confidential by Executive.

9. Disclosure of Agreement. Executive acknowledges and agrees that, during the twelve (12) months following the Date of Termination, he will disclose the existence and terms of this Agreement to any prospective employer, business partner, investor or lender prior to entering into an employment, partnership or other business relationship with such prospective employer, business partner, investor or lender. Executive further agrees that Pier 1 Imports shall have the right to make any such prospective employer, business partner, investor or lender of Executive aware of the existence and terms of this Agreement.

10. Employment Status. Nothing in this Agreement shall be construed as a commitment, guarantee, agreement, or understanding of any kind or nature that Pier 1 Imports will continue to employ Executive, nor will this Agreement affect in any way the right of Pier 1 Imports or Executive to terminate Executive's employment at any time and for any reason, with or without Cause (unless otherwise agreed to by the parties separately in writing). Executive acknowledges and agrees that he is an "at will" employee.

11. Future Enforcement or Remedy. Any waiver, or failure to seek enforcement or remedy for any breach or suspected breach, of any provision of this Agreement by Pier 1 Imports or Executive in any instance shall not be deemed a waiver of any breach or suspected breach of such provision in the future.

12. Breach by Executive. In the event of a breach by Executive of any of the provisions of this Agreement, including without limitation the Protective Covenants (Section 4) and the non-disparagement provision (Section 6) of this Agreement, the obligation of Pier 1 Imports to pay Salary Continuation or to provide other Severance Benefits under this Agreement will immediately cease and any Salary Continuation payments already received and the value of any other Severance Benefits already received will be returned by Executive to Pier 1 Imports. The parties agree that if they become involved in legal action regarding an alleged breach of this Agreement by Executive or the enforcement of the Protective Covenants, the prevailing party in such legal action will be entitled, in addition to any other remedy, to recover from the non-prevailing party its or his reasonable costs and attorneys' fees incurred in connection with such legal action.

13. Severability. If any provision(s) of this Agreement shall be found invalid, illegal, or unenforceable, in whole or in part, then such provision(s) shall be modified or restricted so as to effectuate as nearly as possible in a valid and enforceable way the provisions hereof, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision(s) had been originally incorporated herein as so modified or restricted or as if such provision(s) had not been originally incorporated herein, as the case may be.

14. Governing Law. This Agreement will be governed under the internal laws of the state of Texas without regard to principles of conflicts of laws. Executive agrees that the state and federal courts located in the state of Texas shall have exclusive jurisdiction in any action, lawsuit or proceeding based on or arising out of this Agreement, and Executive hereby: (a) submits to the personal jurisdiction of such courts; (b) consents to the service of process in connection with any action, suit, or proceeding against Executive; and (c) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction, venue or service of process.

15. Right to Jury. Executive agrees to waive any right to a jury trial on any claim contending that this Agreement or the General Release and Waiver is illegal or unenforceable in whole or in part, and Executive agrees to try any claims brought in a court or tribunal without use of a jury or advisory jury. Further, should any claim arising out of Executive's employment, termination of employment or Salary Continuation Period (if any) be found by a court or tribunal of competent jurisdiction to not be released by the General Release and Waiver, Executive agrees to try such claim to the court or tribunal without use of a jury or advisory jury.

16. Other Plans, Programs, Policies and Practices. If any provision of this Agreement conflicts with any other plan, programs, policy, practice or other Pier 1 Imports' document, then the provisions of this Agreement will control, except as otherwise precluded by law.

17. Entire Agreement. This Agreement, including any exhibits or appendices hereto along with the offer letter to which this Agreement is attached, contains and comprises the entire understanding and agreement between Executive and Pier 1 Imports and fully supersedes any and all prior agreements or understandings between Executive and Pier 1 Imports with respect to the subject matter contained herein, and may be amended only by a writing signed by both parties.

18. Tax Withholding. Any compensation paid or provided to Executive under this Agreement shall be subject to any applicable federal, state or local income and employment tax withholding requirements.

19. Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: At the most recent address on file at Pier 1 Imports

If to Pier 1 Imports: Pier 1 Imports, Inc.
100 Pier 1 Place
Fort Worth, Texas 76102
Attention: General Counsel

20. Employing Subsidiary. Executive may serve as an executive officer of Pier 1 Imports, Inc. and will serve as an executive officer and employee of the Company's wholly owned subsidiary, Pier 1 Services Company, a Delaware statutory trust ("Pier 1 Services"). All payments of cash compensation to Executive in connection with his employment and any other cash payments called for under this Agreement or owing to Executive in connection with his employment will be paid by Pier 1 Services.

21. Assignment. Pier 1 Imports may assign its rights under this Agreement to any successor in interest, whether by merger, consolidation, sale of assets, or otherwise. This Agreement shall be binding whether it is between Pier 1 Imports and Executive or between any successor or assignee of Pier 1 Imports or affiliate thereof and Executive.

22. Code Section 280G. Notwithstanding any other provision of this Agreement to the contrary, to the extent that any payment or distribution of any type to or for Executive by the Company (or any person or entity who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of Section 280G of the Code and the regulations thereunder)), or any affiliate of such person or entity, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments"), is or will be subject to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), then the Total Payments shall be reduced (but not below zero) if and to the extent that a reduction in the Total Payments would result in Executive retaining a larger amount, on an after-tax basis (taking into account federal, state and local income taxes and the Excise Tax), than if Executive received the entire amount of such Total Payments. The determination of whether the Total Payments shall be reduced and the amount of such reduction shall be determined by an accounting firm selected by Executive and the Company, such accounting firm's expenses shall be paid for by Pier 1 Services, and such accounting firm's determination shall be final and binding upon Executive and the Company.

23. Code Section 409A Compliance. To the extent that a payment or benefit under this Agreement is subject to Code Section 409A, it is intended that this Agreement as applied to that payment or benefit comply with the requirements of Code Section 409A, and the Agreement shall be administered and interpreted consistent with this intent.

24. Counterparts. This Agreement may be executed in one or more counterparts, which together shall constitute a valid and binding agreement.

IN WITNESS WHEREOF, Executive and Pier 1 Imports, by its duly authorized representative, have executed this Agreement on the dates stated below, effective as of the latest date set forth below. The effective date shall be inserted in the preamble paragraph of the beginning of this Agreement.

COMPANY

EXECUTIVE

By: /s/ Alasdair James

/s/ William H. Savage

Alasdair James

William H. Savage

President and Chief Executive Officer

Pier 1 Imports, Inc.

Date: January 3, 2018

Date: 12/7/2017

Listing, if any, pursuant to Section 3 of this Agreement:

none



EXHIBIT A

NOTICE: YOU MAY CONSIDER THIS GENERAL RELEASE AND WAIVER FOR UP TO TWENTY-ONE (21) DAYS. YOU MAY NOT SIGN IT UNTIL ON OR AFTER YOUR LAST DAY OF WORK. IF YOU DECIDE TO SIGN IT, YOU MAY REVOKE THE GENERAL RELEASE AND WAIVER WITHIN SEVEN (7) DAYS AFTER SIGNING. ANY REVOCATION WITHIN THIS PERIOD MUST BE IMMEDIATELY SUBMITTED IN WRITING TO GENERAL COUNSEL, PIER 1 IMPORTS, INC., 100 PIER 1 PLACE, FORT WORTH, TEXAS, 76102. YOU MAY WISH TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS DOCUMENT.

GENERAL RELEASE AND WAIVER

In consideration of the severance benefits that are described in the attached Executive Severance Agreement, I, for myself, my heirs, administrators, representatives, executors, successors and assigns, do hereby release Pier 1 Imports, Inc., its subsidiaries and affiliates and its and their respective current and former agents, subsidiaries, affiliates, related organizations, employees, officers, directors, shareholders, attorneys, successors, and assigns (collectively, "Pier 1 Imports") from any and all claims of any kind whatsoever, whether known or unknown, including but not limited to those claims arising out of, or connected with, my employment with Pier 1 Imports and the termination of my employment. This General Release and Waiver includes, but is not limited to, all claims under **Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866 (42 U.S.C. § 1981), the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Employee Retirement Income Security Act ("ERISA"), the Americans with Disabilities Act, the Rehabilitation Act of 1973, the Worker Adjustment and Retraining Notification Act, the Family and Medical Leave Act, the Equal Pay Act, and any other federal, state or local constitution, statute, regulation or ordinance, all common law claims including, but not limited to, claims for wrongful or retaliatory discharge, intentional infliction of emotional distress, negligence, defamation, invasion of privacy and breach of contract, and all claims under any Pier 1 Imports policy, handbook or practice, to the fullest extent permitted under the law.**

This General Release and Waiver does not apply to any claims that may arise after the date I sign this General Release and Waiver. Also excluded from this General Release and Waiver are any claims that cannot be waived by law and any rights or claims I may have to benefits accrued under benefit plans maintained by Pier 1 Imports and governed by ERISA.

I understand that nothing contained in this General Release and Waiver limits my ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). I further understand that this General Release and Waiver does not limit my ability to communicate or share information with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies. However, based on my release of claims set forth in this General Release and Waiver, I understand that I am releasing all claims and causes of action that I might personally pursue or that might be pursued in my name and, to the extent permitted by applicable law, my right to recover monetary damages or obtain injunctive relief that is personal to me in connection with such claims and causes of action.

I also waive any right to become, and promise not to consent to become, a participant, member, or named representative of any class in any case in which claims are asserted against Pier 1 Imports that are related in any way to my employment or termination of employment at Pier 1 Imports, and that involve events that have occurred as of the date I sign this General Release and Waiver. If I, without my knowledge, am made a member of a class in any proceeding, I will opt out of the class at the first opportunity afforded to me after learning of my inclusion. In this regard, I agree that I will execute, without objection or delay, an “opt-out” form presented to me either by the court in which such proceeding is pending, by class counsel or by counsel for Pier 1 Imports.

I have read this General Release and Waiver and understand all of its terms.

I have signed it voluntarily with full knowledge of its legal significance.

I have had the opportunity to seek, and I have been advised in writing of my right to seek, legal counsel prior to signing this General Release and Waiver.

I was given at least twenty-one (21) days to consider signing this General Release and Waiver. I agree that any modification of this General Release and Waiver Agreement will not restart the twenty-one (21) day consideration period.

I understand that if I sign the General Release and Waiver, I can change my mind and revoke it within seven (7) days after signing it by notifying the General Counsel of Pier 1 Imports in writing at 100 Pier 1 Place, Fort Worth, Texas 76102. I understand the General Release and Waiver will not be effective until after the seven (7) day revocation period has expired.

I understand that the delivery of the consideration herein stated does not constitute an admission of liability by Pier 1 Imports and that Pier 1 Imports expressly denies any wrongdoing or liability.

Date:	<u>SAMPLE ONLY - DO NOT DATE</u>	Signed by:	<u>SAMPLE ONLY - DO NOT SIGN</u>
		Witness by:	<u>SAMPLE ONLY - DO NOT SIGN</u>

**RESTRICTED STOCK AWARD AGREEMENT
PERFORMANCE-BASED AWARD
("SOURCING EXPENSE SAVINGS")**

THIS RESTRICTED STOCK AWARD AGREEMENT (this "Agreement") is made effective and entered into as of June 29, 2018, by and between PIER 1 IMPORTS, INC., a Delaware corporation (the "Company"), and **William H. Savage** (the "Grantee").

WHEREAS, pursuant to the provisions of the Pier 1 Imports, Inc. 2015 Stock Incentive Plan, as amended (the "Plan"), the Committee that administers the Plan has the authority to grant Awards under the Plan to employees of the Company and its Affiliates; and

WHEREAS, during Grantee's employment, and based on Grantee's position with the Company and/or its Affiliates, Grantee has acquired and will continue to acquire, by reason of Grantee's position, substantial knowledge of the operations and practices of the business of the Company and/or its Affiliates; and

WHEREAS, the Company desires to assure that, to the extent and for the period of Grantee's service and for a reasonable period thereafter, the confidentiality of the Company's and its Affiliates' trade secrets and proprietary information be maintained, and the Company's and its Affiliates' goodwill and other legitimate business interests be protected, each of which could be compromised if any competitive business were to secure Grantee's services; and

WHEREAS, the Committee has determined that the Grantee be granted a Restricted Stock Award under the Plan for the number of shares and upon the terms set forth below;

NOW, THEREFORE, the Company and the Grantee hereby agree as follows:

1. Grant of Award. The Grantee is hereby granted a Restricted Stock Award under the Plan (this "Award"), subject to the terms and conditions hereinafter set forth, with respect to a maximum 147,378 (one hundred and forty seven thousand three hundred and seventy eight) restricted shares of Common Stock. Restricted shares of Common Stock covered by this Award (the "Performance-Based Shares") shall be represented by a stock certificate registered in the Grantee's name, or by uncertificated shares designated for the Grantee in book-entry form on the records of the Company's transfer agent, in each case subject to the restrictions set forth in this Agreement. Any stock certificate issued shall bear the following or a similar legend:

"The transferability of this certificate and the shares of Common Stock represented hereby are subject to the terms, conditions and restrictions (including forfeiture) contained in the Pier 1 Imports, Inc. 2015 Stock Incentive Plan, as amended, and the Restricted Stock Award Agreement entered into between the registered owner and Pier 1 Imports, Inc. A copy of such plan and agreement is on file in the offices of Pier 1 Imports, Inc., 100 Pier 1 Place, Fort Worth, Texas 76102."

Any Common Stock certificates or book-entry uncertificated shares evidencing such shares shall be held in custody by the Company or, if specified by the Committee, with a third party custodian or trustee, until the restrictions thereon shall have lapsed, and, as a condition of this Award, the Grantee shall deliver a stock power, duly endorsed in blank, relating to any certificated restricted shares of Common Stock covered by this Award.

2. Transfer Restrictions. Except as expressly provided in this Agreement and the Plan, this Award and the Performance-Based Shares are non-transferable otherwise than by will or by the laws of descent and distribution, and may not otherwise be assigned, pledged or hypothecated or otherwise disposed of and shall not be subject to execution, attachment or similar process. Upon any attempt to effect any such disposition, or upon the levy of any such process, this Award shall immediately become null and void and the Performance-Based Shares shall be forfeited.

3. Restrictions.

(a) Certain Definitions. For purposes of this Award, the term:

“Cause” means the occurrence of any of the following events:

- (i) refusal by Grantee to follow a lawful direction of any superior officer of the Company or an Affiliate, provided the direction is not materially inconsistent with the duties or responsibilities of Grantee’s position;
- (ii) performance deficiencies which are communicated to Grantee in writing as part of performance reviews and/or other written communications from any superior officer of the Company or an Affiliate;
- (iii) willful misconduct or reckless disregard by Grantee of his duties or of the interest or property of the Company or its Affiliates;
- (iv) any act by Grantee of fraud against, material misappropriation from, or significant dishonesty to either the Company or an Affiliate; or
- (v) conviction by Grantee of a felony.

“Good Reason” means the occurrence of all of the events listed in either (i) or (ii) below:

- (i) a material diminution of Grantee’s responsibilities as modified by the Company or an Affiliate from time to time hereafter, such that Grantee would no longer have responsibilities substantially equivalent to those of similarly situated employees at companies with similar revenues and market capitalization; provided that Grantee gives written notice to the Company of the facts and circumstances constituting such material diminution within ten (10) days following the occurrence of such event; the Company (or Affiliate) fails to remedy such material diminution within ten (10) days following Grantee’s written notice of such event; and Grantee terminates employment within ten (10) days following the Company’s or Affiliate’s failure to remedy such material diminution; or
- (ii) the Company or an Affiliate materially reduces Grantee’s base salary without Grantee’s consent, unless the reduction is applied equally, expressed as percentage of base salaries, to all similarly situated employees; provided that Grantee gives written notice to the Company within ten (10) days following Grantee’s receipt of the notice of reduction in base salary of Grantee’s objection to the reduction; the Company or Affiliate fails to rescind the notice of reduction within ten (10) days following Grantee’s written notice; and Grantee terminates employment within ten (10) days following the Company’s or Affiliate’s failure to rescind the notice.

“Measurement Date” means February 27, 2021.

“Measurement Period” means the Company’s three (3) fiscal years beginning on and including March 4, 2018 and ending on and including February 27, 2021.

“Sourcing Expense” means (x) the total FOB cost for all products purchased within a particular product department plus (y) the total commission paid for all products purchased within that product department divided by (z) the number of products purchased in that product department, each for a given fiscal year.

“Sourcing Expense Savings” means the dollar amount obtained by (1) calculating the positive or negative variance (the “Variance”) in Sourcing Expense in fiscal 2021 as compared to fiscal 2018 for each product department, measured as of the Measurement Date; (2) multiplying (x) such Variance times (y) the actual number of products purchased in fiscal 2021 for each product department (the product of (x) and (y) to be referred to as the “Product Variance”); and (3) totaling the Product Variance for each product department. Expenses for vendor direct-to-consumer are specifically excluded from the calculation of Sourcing Expense Savings. Sourcing Expense Savings may be subject to adjustment for certain items as provided in the Plan at the discretion of the Compensation Committee.

(b) Vesting. The target amount of Performance-Based Shares under this Award is 73,689 (seventy three thousand six hundred and eighty nine) Performance-Based Shares (the “Target Performance-Based Shares”). Provided that (y) the percentage of Sourcing Expense Savings achieved during Fiscal 2021 as compared to Sourcing Expense in Fiscal 2018 meets or exceeds the target percentage shown on the table set forth in Section 11 hereof, and (z) the Grantee is employed by the Company or an Affiliate on the date of filing of the Company’s Annual Report on Form 10-K with the Securities and Exchange Commission (“SEC”) for the Company’s fiscal year ending February 27, 2021, and subject to the other terms and conditions of this Agreement, the restrictions on the Performance-Based Shares covered by this Award shall lapse and such shares shall vest over a range from 100% to 200% of the Target Performance-Based Shares as shown on the table set forth in Section 11 hereof. Any fractional shares created by such vesting will be rounded down to the nearest whole share.

The determination by the Committee with respect to the achievement of condition (y) above shall be effective upon the filing of the Company’s Annual Report on Form 10-K with the SEC for fiscal year 2021.

(c) Corporate Change. A pro rata portion of the restrictions on the Target Performance-Based Shares shall lapse and such pro rata portion of shares shall vest upon (i) a Corporate Change (as defined in the Plan) AND (ii) the occurrence of one of the following: (a) the Performance-Based Shares covered by this Award are not assumed by the surviving or acquiring entity or otherwise equitably converted or substituted in connection with the Corporate Change, or (b) the Performance-Based Shares covered by this Award are assumed by the surviving or acquiring entity or otherwise equitably converted or substituted in connection with the Corporate Change and the termination of Grantee’s employment by the Company (or the surviving or acquiring entity) without Cause or Grantee’s resignation for Good Reason occurs within one year after the effective date of the Corporate Change. The pro rata portion of shares under this Section 3(c) shall be calculated based on the portion of the Measurement Period that has elapsed at the time of vesting associated with a Corporate Change.

(d) Termination of Employment. Upon termination of employment of the Grantee with the Company or any Affiliate of the Company (or the successor of any such company) for any reason other than as specified in Section 3(c) above, the Grantee shall forfeit all rights in the Performance-Based Shares to the extent not vested, and the ownership of such shares shall immediately vest in the Company. For purposes of this Award, no termination of Grantee’s employment shall occur as a result of the transfer of Grantee between the Company and any Affiliate or as a result of the transfer of the Grantee between two Affiliates. The cessation of a relationship between the Company and an Affiliate with which the Grantee is employed whereby such company is no longer an Affiliate shall constitute a termination of employment of the Grantee.

4. Voting and Dividend Rights. With respect to the Performance-Based Shares for which the restrictions have not lapsed, the Grantee shall have the right to vote such shares, but shall not receive any cash dividends paid with respect to such shares. Any dividend or distribution payable with respect to the Performance-Based Shares that shall be paid in shares of Common Stock shall be subject to the same restrictions provided for herein. Any other form of dividend or distribution payable on shares of the Performance-Based Shares, and any consideration receivable for or in conversion of or exchange for the Performance-Based Shares, unless otherwise determined by the Committee, shall be subject to the terms and conditions of this Agreement, with such modifications thereof as the Committee may provide in its absolute discretion.

5. Distribution Following End of Restrictions. Upon expiration of the restrictions provided in Section 3 hereof as to the Performance-Based Shares, the Company in its sole discretion will either cause a certificate evidencing such amount of Common Stock to be delivered to the Grantee (or in the case of the Grantee's death after such events cause such certificate to be delivered to the Grantee's legal representative, beneficiary or heir) or provide book-entry uncertificated shares designated for the Grantee (or, in the case of the Grantee's death after such events, provide book-entry uncertificated shares designated for Grantee's legal representative, beneficiary or heir) on the records of the Company's transfer agent free of the legend or restriction regarding transferability, as the case may be; provided, however, that the Company shall not be obligated to issue any fractional shares of Common Stock. All Performance-Based Shares which do not vest as provided in Section 3 hereof, shall be forfeited by the Grantee along with all rights thereto, and the ownership of such shares shall immediately vest in the Company.

6. Covenants Not to Disclose, Solicit or Compete.

(a) Non-Disclosure of Confidential Information and Return of Property.

(i) Grantee acknowledges that: (A) the Company and its Affiliates are engaged in a continuous program of research and development respecting their activities, business and customers throughout the United States and the countries in which they operate or conduct business (the foregoing, together with any other businesses in which the Company and/or its Affiliates engage from the date hereof to the date of the termination of Grantee's employment with the Company and/or any of its Affiliates to be known as the "Company Business"); (B) Grantee's work for and position with the Company and/or its Affiliates has allowed Grantee, and will continue to allow Grantee, access to trade secrets of, and Confidential Information (as defined below) concerning the Company Business; (C) the Company would not have agreed to grant the Grantee this Award but for the agreements and covenants contained in this Agreement; and (D) the agreements and covenants contained in this Agreement are necessary and essential to protect the business, goodwill, and customer relationships that Company and/or its Affiliates have expended significant resources to develop. The Company agrees and acknowledges that, on or following the date of this Agreement, the Company and/or its Affiliates will provide Grantee with one or more of the following: (X) continued and ongoing authorization through computer passwords or by other means to access Confidential Information regarding the Company, its Affiliates and the Company Business; (Y) authorization to represent the Company and/or its Affiliates in communications with customers, suppliers, vendors, manufacturers, agents and other third parties to promote the goodwill of the Company Business, all in accordance with generally applicable policies of the Company and/or its Affiliates; and (Z) participation in certain restricted access meetings, conferences or training relating to Company Business and the Grantee's position with the Company and/or its Affiliates. Grantee understands and agrees that if Confidential Information were used in competition against the Company and/or its Affiliates, the Company and/or its Affiliates would experience serious harm and the competitor would have a unique advantage against the Company and/or its Affiliates.

(ii) Grantee agrees that he/she shall not, directly or indirectly, use any Confidential Information on his/her own behalf or on behalf of any person or entity other than the Company and/or its Affiliates, or reveal, divulge, or disclose any Confidential Information to any person or entity not expressly authorized by the Company and/or its Affiliates to receive such Confidential Information. This obligation shall remain in effect for as long as the information or materials in question retain their status as Confidential Information. Grantee further agrees that he/she shall fully cooperate with the Company and/or its Affiliates in maintaining the Confidential Information to the extent permitted by law. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either the Company's and/or its Affiliates' rights or Grantee's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, Grantee shall not be restricted from: (A) disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; *provided, however*, that in the event such disclosure is required by law, Grantee shall provide the Company with prompt notice of such requirement so that the

Company and/or its Affiliates may seek an appropriate protective order prior to any such required disclosure by Grantee; (B) reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, or from making other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation, and Grantee shall not need the prior authorization of the Company and/or its Affiliates to make any such reports or disclosures and shall not be required to notify the Company and/or its Affiliates that Grantee has made such reports or disclosures; (C) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, in either event solely for the purpose of reporting or investigating a suspected violation of law; or (D) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(iii) “Confidential Information” means any and all data and information relating to Company Business that (A) is disclosed to Grantee or of which Grantee becomes aware as a consequence of his/her employment with the Company and/or its Affiliates; (B) has value to the Company and/or its Affiliates; and (C) is not generally known outside of the Company and/or its Affiliates. Confidential Information shall include, but is not limited to the following types of information regarding, related to, or concerning the Company and/or its Affiliates: trade secrets (as defined by applicable law); financial plans and data; management planning information; business plans; operational methods; market studies; marketing plans or strategies; pricing information; product development techniques or plans; listings of customers, buying agents, vendors and manufacturers; customer, buying agent, vendor and manufacturer files, data and financial information; details of customer, buying agent, vendor and manufacturer contracts; current and anticipated customer, buying agent, vendor and manufacturer requirements; identifying and other information pertaining to business referral sources; past, current and planned research and development; computer aided systems, software, strategies and programs; business acquisition plans; management organization and related information (including, without limitation, data and other information concerning the compensation and benefits paid to officers, directors, employees and management); personnel and compensation policies; new personnel acquisition plans; and other similar information. Confidential Information also includes combinations of information or materials which individually may be generally known outside of the Company and/or its Affiliates, but for which the nature, method, or procedure for combining such information or materials is not generally known outside of the Company and/or its Affiliates. In addition to data and information relating to the Company and/or its Affiliates, Confidential Information also includes any and all data and information relating to or concerning a third party that otherwise meets the definition set forth above, that was provided or made available to the Company and/or its Affiliates by such third party, and that the Company and/or its Affiliates has a duty or obligation to keep confidential. This definition shall not limit any definition of confidential information or any equivalent term under state or federal law. Confidential Information shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of the Company and/or its Affiliates.

(iv) Grantee agrees that he/she will not retain or destroy (except as set forth below), and will immediately return to the Company on or prior to the date that Grantee's employment with the Company and/or its Affiliates shall terminate for any reason (the "Date of Termination"), or at any other time the Company requests such return, any and all property of the Company and/or its Affiliates that is in his/her possession or subject to his/her control, including, but not limited to, customer, buying agent, vendor and manufacturer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, keys, access cards, credit cards, identification cards, equipment, computers, mobile devices, other electronic media, all other files and documents relating to the Company and/or its Affiliates and its business (regardless of form, but specifically including all electronic files and data of the Company and/or its Affiliates), together with all Confidential Information belonging to the Company and/or its Affiliates or that Grantee received from or through his/her employment with the Company and/or its Affiliates. Grantee will not make, distribute, or retain copies of any such information or property. To the extent that Grantee has electronic files or information in his/her possession or control that belong to the Company or its Affiliates or contain Confidential Information (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to the Date of Termination, or at any other time the Company and/or its Affiliates requests, Grantee shall (A) provide the Company with an electronic copy of all of such files or information (in an electronic format that readily accessible by the Company); (B) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-Company and/or non-Affiliate owned computers, mobile devices, electronic media, cloud storage, and other media, devices, and equipment, so that such files and information are permanently deleted and irretrievable; and (C) provide a written certification to the Company that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted.

(b) Non-Solicitation of Employees and Independent Contractors. During Grantee's employment with the Company and/or its Affiliates and for twelve (12) months following the Date of Termination, Grantee will not, directly or indirectly, whether on his/her own behalf or as a principal or representative of any other person or entity, recruit, solicit, or induce or attempt to recruit, solicit or induce any employee or independent contractor of the Company and/or its Affiliates to terminate his/her employment or other relationship with the Company and/or its Affiliates or to enter into employment or any other kind of business relationship with Grantee or any other person or entity.

(c) Non-Competition. In return for the Company's and its Affiliates' promise to provide Grantee with access to and use of its Confidential Information (as described in Section (6)(a)(i)-(iii) above), during Grantee's employment with the Company and/or its Affiliates and for twelve (12) months following the Date of Termination, Grantee will not, within the Restricted Area, directly or indirectly, engage, either as a principal, employee, partner, consultant, officer, director or investor (other than a less-than-1% stock interest in a corporation), in a business which is a competitor of the Company, in the same or similar type capacity as Grantee was employed by Company. For purposes of this subsection 6(c), a business shall be deemed a "competitor" of the Company if it engages in the commerce of a Home Fashions or Furniture Business or is a Home Décor Division of a Business, whether through stores (retail or wholesale), on-line e-commerce or any combination thereof.

(i) The term "Restricted Area" shall mean the United States unless, during the last two (2) years of Grantee's employment, Grantee's employment responsibilities include a different geographic territory and Grantee's access to Confidential Information is restricted to such different geographic territory, in which case the term "Restricted Area" shall mean such different geographic territory.

(ii) The term “Home Fashions or Furniture Business” shall mean a business (however organized or conducted, including any on-line e-commerce operations) that primarily engages in the sale, marketing, distribution, manufacturing or design of merchandise consisting of furniture, decorative accessories, housewares, bed and bath, and seasonal goods, or any other category of merchandise sold by the Company and/or its Affiliates during the Grantee’s employment. By way of illustration, a “Home Fashions or Furniture Business” shall include such businesses as the Company, Restoration Hardware, Inc., Kirkland’s, Inc., Williams-Sonoma, Inc., Pottery Barn, Inc., Tuesday Morning Corporation, and Bed, Bath & Beyond, Inc. and stores under the names “World Market,” “Cost Plus,” “Cost Plus World Market,” “Crate & Barrel,” “Home Goods,” “Home Sense,” “IKEA,” “Wayfair,” “Hayneedle,” and “At Home.”

(iii) The term “Home Décor Division of a Business” shall mean a category, division, branch, or unit of a business (however organized or conducted, including any on-line e-commerce operations, specialty retailer, big box retailer or department store) that engages in the sale, marketing, distribution, manufacturing or design of furniture, decorative accessories, housewares, bed and bath, and seasonal goods, or any other category of merchandise sold by the Company and/or its Affiliates during the Grantee’s employment. By way of illustration, a “Home Décor Division of a Business” shall include the home furnishings, home décor or other similar home-related category, division, branch, or unit of The TJX Companies, Inc., Ross Stores, Inc., J.C. Penney Company, Inc., Target Corporation, The Michaels Companies, Inc., The Container Store Group, Inc., Amazon.com, Inc., and Neiman Marcus Group LTD LLC.

(iv) The Company may from time to time prior to, and during the thirty (30) days following, any Date of Termination, by written notice to the Grantee, for purposes of clarification, add to the list of illustrative examples of a Home Fashions or Furniture Business or a Home Décor Division of a Business set forth in this subsection 6(c) the names of other companies or businesses meeting the definitions of such terms.

(d) Enforcement of Protective Covenants.

(i) The parties specifically acknowledge and agree that the remedy at law for any breach of the restrictions in Section 6 of this Agreement (the “Protective Covenants”) will be inadequate, and that in the event Grantee breaches, or threatens to breach, any of the Protective Covenants, the Company and/or its Affiliates shall have the right and remedy, without the necessity of proving actual damage or posting any bond, to enjoin, preliminarily and permanently, Grantee from violating or threatening to violate the Protective Covenants and to have the Protective Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Protective Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Grantee understands and agrees that if he/she violates any of the obligations set forth in the Protective Covenants, the period of restriction applicable to each obligation violated shall cease to run during the pendency of any litigation over such violation, provided that such litigation was initiated during the period of effectiveness of the Protective Covenants. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity. The Company’s ability to enforce its rights under the Protective Covenants or applicable law against Grantee shall not be impaired in any way by the existence of a claim or cause of action on the part of Grantee based on, or arising out of, this Agreement or any other event or transaction.

(ii) Grantee acknowledges and agrees that each of the Protective Covenants is reasonable and valid in time and scope and in all other respects and is no greater than necessary to protect the Company Business. The parties agree that it is their intention that the Protective Covenants be enforced in accordance with their terms to the maximum extent permitted by law. Each of the Protective Covenants shall be considered and construed as a separate and independent covenant. Should any part or provision of any of the Protective Covenants be held invalid, void, or unenforceable, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Agreement or such Protective

Covenant. If any of the provisions of the Protective Covenants should ever be held by a court of competent jurisdiction to exceed the scope permitted by the applicable law, such provision or provisions shall be automatically modified to such lesser scope as such court may deem just and proper for the reasonable protection of the Company Business, and may be enforced by the Company to that extent in the manner described above and all other provisions of this Agreement shall be valid and enforceable.

(e) Termination Without Cause or for Good Reason. Notwithstanding the foregoing, if Grantee's employment with the Company or an Affiliate is involuntarily terminated without Cause or Grantee voluntarily terminates Grantee's employment for Good Reason, Grantee shall not be subject to the restrictions on non-competition set forth in Section 6(c) of this Agreement; *provided, however*, that Grantee is not in breach of any other terms and conditions of this Agreement. The restrictions related to non-disclosure of confidential information and return of property in Section 6(a) and non-solicitation contained in Section 6(b) shall remain in full force and effect regardless of the manner of termination of Grantee's employment.

7. Tax Withholding. The obligation of the Company to deliver any certificate or book-entry uncertificated shares to the Grantee pursuant to Section 5 hereof shall be subject to the receipt by the Company from the Grantee of any minimum withholding taxes required as a result of the grant of the Award or lapsing of restrictions thereon. The Grantee may satisfy all or part of such withholding tax obligation by electing to require the Company to purchase that number of unrestricted shares of Common Stock designated by the Grantee at a price equal to the Fair Market Value on the date of lapse of the restrictions or, if the Common Stock did not trade on such day, on the first preceding day on which such trading occurred. The Company shall have the right, but not the obligation, to sell or withhold such number of unrestricted shares of Common Stock distributable to the Grantee as will provide assets for payment of any minimum withholding taxes required to be remitted by the Company on behalf of Grantee unless, prior to such sale or withholding, Grantee shall have paid to the Company the amount of such tax. Any balance of the proceeds of such a sale remaining after the payment of such taxes shall be paid over to Grantee. In making any such sale, the Company shall be deemed to be acting on behalf and for the account of Grantee.

8. Securities Laws Requirements. The Company shall not be required to issue shares pursuant to this Award unless and until (a) such shares have been duly listed upon each stock exchange on which the Company's Common Stock is then listed, and (b) the Company has complied with applicable federal and state securities laws. The Committee may require the Grantee to furnish to the Company, prior to the issuance of any shares of Common Stock in connection with this Award, an agreement, in such form as the Committee may from time to time deem appropriate, in which the Grantee represents that the Performance-Based Shares acquired by Grantee under this Award are being acquired for investment and not with a view to the sale or distribution thereof.

9. Incorporation of Plan Provisions. This Agreement is made pursuant to the Plan and is subject to all of the terms and provisions of the Plan as if the same were fully set forth herein, and receipt of a copy of the Plan is hereby acknowledged. Capitalized terms not otherwise defined herein shall have the same meanings set forth for such terms in the Plan. If there is any conflict between this Agreement and the Plan, the Plan controls.

10. Miscellaneous. This Agreement (a) shall be binding upon and inure to the benefit of any successor of the Company, (b) shall be governed by the laws of the State of Delaware, and any applicable laws of the United States, and (c) may not be amended without the written consent of both the Company and the Grantee. No contract or right of employment shall be implied by this Agreement, nor shall this Agreement interfere with or restrict in any way the rights of the Grantee's employer to discharge the Grantee at any time for any reason whatsoever, with or without cause. The terms and provisions of this Agreement shall constitute an instruction by the Grantee with respect to any uncertificated Performance-Based Shares.

This Award along with all other Awards received by the Grantee (including any proceeds, gains or other economic benefit actually or constructively received by the Grantee upon any receipt or exercise of any Award) shall be subject to the provisions of the Company's claw-back policy as set forth in Section 10 of the Company's Code of Business Conduct and Ethics (as amended from time to time) including any amendments of such claw-back policy adopted to comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder.

11. Certain Additional Information. This Section 11 sets forth certain information referred to in Section 3 of this Agreement.

Percentage of Sourcing Expense Savings* (Fiscal 2021 versus Fiscal 2018)	Percent of Target Performance-Based Shares Vested
[]%	100% - 132%
[]%	133% - 165%
[]%	166% - 199%
[]%+	200%

*Vesting of shares between the minimum and maximum percentage of Sourcing Expense Savings targets in each band shall be interpolated. For example, if the percentage of Sourcing Expense Savings is []% for Fiscal 2021 compared to Fiscal 2018, then 149.0% of the Target Performance-Based Shares would vest.

EXECUTION PAGE OF RESTRICTED STOCK AWARD AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

COMPANY:
Pier 1 Imports, Inc

GRANTEE:

BY: /s/ Alasdair B. James
Alasdair James
Chief Executive Officer

William H. Savage
Signed Electronically

RETENTION AWARD AGREEMENT

A retention award of \$450,000 (the "Award") will be paid by Pier 1 Imports, Inc. (the "Company") or an Affiliate to William H. Savage ("Executive") in a cash lump sum within fifteen days of January 10, 2019 ("Payment Date") subject to the conditions set forth below.

1. **Definitions:** For purposes of this Retention Award Agreement ("Agreement"), the term:

"Affiliate" means any entity which is controlling, controlled by, or under common control with the Company.

"Cause" shall mean a good faith determination by the Board (after providing the Executive with reasonable notice and a reasonable opportunity to be heard in person on the matter) that any of the following has occurred:

- (i) the Executive's material or habitual failure to follow the reasonable and lawful directions of any superior officer of the Company, provided the direction(s) is not materially inconsistent with the duties or responsibilities of the Executive's position, or a material or habitual failure to perform Executive's duties with the Company (other than any such failure resulting from the Executive's Disability) which failure is not cured within ten (10) days after a written demand for performance is delivered to the Executive by the Company which specifically identifies the manner in which the Company believes that the Executive has materially or habitually failed to perform the Executive's duties;
- (ii) the Executive's indictment for, conviction of, or entry of a plea of guilty or nolo contendere or no contest with respect to: (a) any felony, or any misdemeanor involving dishonesty or moral turpitude (including pleading guilty or nolo contendere to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of the Company, or (b) any crime connected with the business of the Company;
- (iii) the Executive's engaging in any gross negligence or gross misconduct in connection with the performance of Executive's duties hereunder, which is, or is likely to be, materially injurious to the Company, its financial condition, or its reputation;
- (iv) the Executive's commission of or engagement in any act of fraud, misappropriation, material dishonesty, or embezzlement, whether or not such act was committed in connection with the business of the Company;
- (v) the Executive's breach of fiduciary duty, or material breach of any other provisions of this Agreement; or
- (vi) the Executive's violation of the Company's policy against harassment or its equal employment opportunity policy, a material violation of the Company's code of business conduct, or any other policy or procedure of the Company.

"Disability" shall mean disability as defined under the Pier 1 Imports, Inc. Long Term Disability Plan, (regardless of whether Executive is a participant under such plan).

"Good Reason" shall mean, without Executive's written consent,

- (i) a reduction of more than ten percent (10%) in the sum of Executive's annual base salary and target STI award as a percentage of base salary from those in effect as of the Payment Date;
- (ii) a material diminution in Executive's authority, duties or responsibilities; or
- (iii) Executive's mandatory relocation to an office more than fifty (50) miles from the primary location at which Executive is required to perform Executive's duties as of the date of this Agreement.

In each case of Good Reason, Executive must provide the Company with written notice of the facts giving rise to a claim that Good Reason exists for purposes of this Agreement, within ten (10) days of the initial existence of such Good Reason event, and the Company shall have the right to remedy such event within thirty (30) days after receipt of Executive's written notice ("the thirty (30) day period"). If the Company remedies the Good Reason event within the thirty (30) day period, the Good Reason event shall cease to exist. If the Company does not remedy the Good Reason event within the thirty (30) day period, and Executive does not incur a termination of employment within ten (10) days following the

earlier of: (i) the date the Company notifies Executive that it does not intend to remedy the Good Reason or does not agree that there has been a Good Reason event, or (ii) the expiration of the thirty (30) day period, the Good Reason event shall cease to exist. Notwithstanding the foregoing, if Executive fails to provide written notice to the Company of the facts giving rise to a claim of Good Reason within ten (10) days of the initial existence of such Good Reason event, the Good Reason event shall cease to exist as of the eleventh (11th) day following the later of its initial occurrence or Executive's knowledge thereof.

2. **Repayment:** If, on or prior to February 29, 2020, Executive is terminated for "Cause" or voluntarily resigns without "Good Reason", Executive agrees that within ten (10) business days of the separation of Executive's employment from the Company or any of its Affiliates, Executive will repay the Award paid to Executive by the Company. Executive further agrees that Executive will make the repayment to the Company or an Affiliate in the form of a check or money order made payable to Pier 1 Imports, Inc.

In the event Executive is obligated to repay or reimburse the Company or an Affiliate for the Award as provided in this Agreement, Executive authorizes the Company or an Affiliate to deduct any portion of the Award which Executive is obligated to repay or reimburse from any wages due and owing to Executive including, but not limited to, Executive's final paycheck. Executive understands and agrees that, if such monies are not sufficient to repay the full amount Executive owes, Executive will still remain obligated to reimburse or pay the balance to the Company or an Affiliate.

3. **Tax Withholding:** Any compensation paid or provided to Executive under this Agreement shall be subject to any applicable federal, state or local income and employment tax withholding requirements.
4. **Confidentiality:** Executive shall treat as confidential the fact of Executive's receipt of this Award and its terms and conditions. If the Company determines that Executive has shared such information with any other person, the Executive is obligated to repay the Award paid to the Executive by the Company or an Affiliate pursuant to the Agreement.
5. **Employment Status:** This Agreement does not constitute a contract of employment or a guarantee of employment for any length of time, one year or otherwise. Except where expressly superseded by state law, the Company or an Affiliate is an at-will employer and reserves the right to terminate the employment of any associate for any reason with or without past record of corrective action. An associate also has the right to terminate his/her employment with the Company or an Affiliate for any reason and at any time.
6. **Choice of Law and Venue:** This Agreement was negotiated and entered into, at least in part, in the state of Texas and shall be construed under the laws of the state of Texas without regard to conflicts or choice of law and venue shall be brought exclusively in Tarrant County, Texas.

PIER 1 IMPORTS, INC.

By: /s/ Cheryl A. Bachelder
Cheryl A. Bachelder
Interim Chief Executive Officer
Date 1/10/19

/s/ William H. Savage
William H. Savage
Date: 1/10/19

RETENTION AWARD REPAYMENT AGREEMENT

A retention award of \$345,000 (the "Award") will be paid by Pier 1 Imports, Inc. (the "Company") or an Affiliate to Mark R. Haley ("Executive") in a cash lump sum on or around May 7, 2018 ("Payment Date") subject to the conditions set forth below.

1. **Definitions:** For purposes of this Retention Award Repayment Agreement ("Agreement"), the term:

"Affiliate" means any entity which is controlling, controlled by, or under common control with the Company.

"Cause" a determination by the Chief Executive Officer that any of the following has occurred:

(a) the Executive's failure to follow the reasonable and lawful directions of any superior officer of the Company or an Affiliate, provided the direction(s) is not materially inconsistent with the duties or responsibilities of the Executive's position, or to perform Executive's duties with the Company or an Affiliate;

(b) the Executive's charge with, indictment for, conviction of, or entry of a plea of guilty or nolo contendere or no contest with respect to:

(i) any felony, or any misdemeanor involving dishonesty or moral turpitude (including pleading guilty or nolo contendere to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of the Company or an Affiliate, or

(ii) any crime connected with the business of the Company or an Affiliate;

(c) the Executive's engaging in any gross negligence or gross misconduct in connection with the performance of Executive's duties hereunder, which is, or is likely to be, injurious to the Company or an Affiliate, its financial condition, or its reputation;

(d) the Executive's commission of or engagement in any act of fraud, misappropriation, dishonesty, or embezzlement, whether or not such act was committed in connection with the business of the Company or an Affiliate; or

(e) the Executive's violation of the Company's policy against discrimination or harassment, its equal employment opportunity policy, or the Company's code of business conduct, or a violation of any other policy or procedure of the Company.

"Good Reason" shall mean, without Executive's written consent,

(a) a reduction of more than ten percent (10%) in the sum of Executive's annual base salary and target STI award as a percentage of base salary from those in effect as of the Payment Date;

(b) a material diminution in Executive's authority, duties or responsibilities; or

(c) Executive's mandatory relocation to an office more than fifty (50) miles from the primary location at which Executive is required to perform Executive's duties as of the date of this Agreement.

In each case of Good Reason, Executive must provide the Company with written notice of the facts giving rise to a claim that Good Reason exists for purposes of this Agreement, within ten (10) days of the initial existence of such Good Reason event, and the Company shall have the right to remedy such event within thirty (30) days after receipt of Executive's written notice ("the thirty (30) day period"). If the Company

remedies the Good Reason event within the thirty (30) day period, the Good Reason event shall cease to exist. If the Company does not remedy the Good Reason event within the thirty (30) day period, and Executive does not incur a termination of employment within ten (10) days following the earlier of: (i) the date the Company notifies Executive that it does not intend to remedy the Good Reason or does not agree that there has been a Good Reason event, or (ii) the expiration of the thirty (30) day period, the Good Reason event shall cease to exist. Notwithstanding the foregoing, if Executive fails to provide written notice to the Company of the facts giving rise to a claim of Good Reason within ten (10) days of the initial existence of such Good Reason event, the Good Reason event shall cease to exist as of the eleventh (11th) day following the later of its initial occurrence or Executive's knowledge thereof.

2. **Repayment:** If, within twelve (12) months of the Payment Date, Executive is terminated with "Cause" or voluntarily resigns without "Good Reason", Executive agrees that within ten (10) business days of the separation of Executive's employment from the Company or any of its Affiliates, Executive will repay the \$345,000 Award paid to Executive by the Company. Executive further agrees that Executive will make the repayment to the Company or an Affiliate in the form of a check or money order made payable to Pier 1 Imports, Inc.

In the event Executive is obligated to repay or reimburse the Company or an Affiliate for the Award as provided in this Agreement, Executive authorizes the Company or an Affiliate to deduct any portion of the Award which Executive is obligated to repay or reimburse from any wages due and owing to Executive including, but not limited to, Executive's final paycheck. Executive understands and agrees that, if such monies are not sufficient to repay the full amount Executive owes, Executive will still remain obligated to reimburse or pay the balance to the Company or an Affiliate.

3. **Tax Withholding:** Any compensation paid or provided to Executive under this Agreement shall be subject to any applicable federal, state or local income and employment tax withholding requirements.
4. **Confidentiality:** Executive shall treat as confidential the fact of Executive's receipt of this Award and its terms and conditions. If the Company determines that Executive has shared such information with any other person, the Executive is obligated to repay the \$345,000 Award paid to the Executive by the Company or an Affiliate pursuant to the Agreement.
5. **Employment Status:** This Agreement does not constitute a contract of employment or a guarantee of employment for any length of time, one year or otherwise. Except where expressly superseded by state law, the Company or an Affiliate is an at-will employer and reserves the right to terminate the employment of any associate for any reason with or without past record of corrective action. An associate also has the right to terminate his/her employment with the Company or an Affiliate for any reason and at any time.
6. **Choice of Law and Venue:** This Agreement was negotiated and entered into, at least in part, in the state of Texas and shall be construed under the laws of the state of Texas without regard to conflicts or choice of law and venue shall be brought exclusively in Tarrant County, Texas.

COMPANY

By: /s/ Alasdair James
Alasdair James
President and Chief Executive Officer
Pier 1 Imports, Inc.
Date: 05/07/18

/s/ Mark R. Haley
Mark R. Haley

Date: 05/07/18

**FIRST AMENDED AND RESTATED
RETENTION AWARD AGREEMENT**

WHEREAS, Pier 1 Imports, Inc. (the “Company”) entered into a Retention Award Agreement (the “Original Agreement”) with Mark R. Haley (“Executive”), pursuant to which the Company agreed to pay to Executive a retention award of \$380,000 (the “Retention Award”), in a cash lump sum, subject to applicable federal, state, and local tax and other payroll withholding, within fifteen (15) days following December 3, 2019 (the “Payment Date”) provided (i) Executive remained employed by the Company or an Affiliate through the Payment Date, (ii) Executive’s employment was terminated by the Company or an Affiliate prior to the Payment Date without Cause, or (iii) Executive resigned for Good Reason prior to the Payment Date; and

WHEREAS, the Company has determined to amend and restate the Original Agreement in order to pay the Retention Award to Executive as of the date set forth below, subject to a clawback provision in the event Executive’s employment with the Company is terminated for “Cause” or Executive resigns without “Good Reason,” each as defined below;

NOW, THEREFORE, the Original Agreement shall be amended and restated in its entirety to read as follows:

A retention award of \$380,000 (the “Award”) will be paid by Pier 1 Imports, Inc. (the “Company”) or an Affiliate to Mark R. Haley (“Executive”) in a cash lump sum within fifteen days of January 9, 2019 (“Payment Date”) subject to the conditions set forth below.

1. **Definitions:** For purposes of this First Amended and Restated Retention Award Agreement (“Agreement”), the term:

“Affiliate” means any entity which is controlling, controlled by, or under common control with the Company.

“Cause” shall mean a good faith determination by the Board (after providing the Executive with reasonable notice and a reasonable opportunity to be heard in person on the matter) that any of the following has occurred:

- (i) the Executive’s material or habitual failure to follow the reasonable and lawful directions of any superior officer of the Company, provided the direction(s) is not materially inconsistent with the duties or responsibilities of the Executive’s position, or a material or habitual failure to perform Executive’s duties with the Company (other than any such failure resulting from the Executive’s Disability) which failure is not cured within ten (10) days after a written demand for performance is delivered to the Executive by the Company which specifically identifies the manner in which the Company believes that the Executive has materially or habitually failed to perform the Executive’s duties;
- (ii) the Executive’s indictment for, conviction of, or entry of a plea of guilty or nolo contendere or no contest with respect to: (a) any felony, or any misdemeanor involving dishonesty or moral turpitude (including pleading guilty or nolo contendere to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of the Company, or (b) any crime connected with the business of the Company;
- (iii) the Executive’s engaging in any gross negligence or gross misconduct in connection with the performance of Executive’s duties hereunder, which is, or is likely to be, materially injurious to the Company, its financial condition, or its reputation;
- (iv) the Executive’s commission of or engagement in any act of fraud, misappropriation, material dishonesty, or embezzlement, whether or not such act was committed in connection with the business of the Company;
- (v) the Executive’s breach of fiduciary duty, or material breach of any other provisions of this Agreement; or
- (vi) the Executive’s violation of the Company’s policy against harassment or its equal employment opportunity policy, a material violation of the Company’s code of business conduct, or any other policy or procedure of the Company.

“Disability” shall mean disability as defined under the Pier 1 Imports, Inc. Long Term Disability Plan, (regardless of whether Executive is a participant under such plan).

“Good Reason” shall mean, without Executive’s written consent,

- (i) a reduction of more than ten percent (10%) in the sum of Executive’s annual base salary and target STI award as a percentage of base salary from those in effect as of the Payment Date;
- (ii) a material diminution in Executive’s authority, duties or responsibilities; or
- (iii) Executive’s mandatory relocation to an office more than fifty (50) miles from the primary location at which Executive is required to perform Executive’s duties as of the date of this Agreement.

In each case of Good Reason, Executive must provide the Company with written notice of the facts giving rise to a claim that Good Reason exists for purposes of this Agreement, within ten (10) days of the initial existence of such Good Reason event, and the Company shall have the right to remedy such event within thirty (30) days after receipt of Executive’s written notice (“the thirty (30) day period”). If the Company remedies the Good Reason event within the thirty (30) day period, the Good Reason event shall cease to exist. If the Company does not remedy the Good Reason event within the thirty (30) day period, and Executive does not incur a termination of employment within ten (10) days following the earlier of: (i) the date the Company notifies Executive that it does not intend to remedy the Good Reason or does not agree that there has been a Good Reason event, or (ii) the expiration of the thirty (30) day period, the Good Reason event shall cease to exist. Notwithstanding the foregoing, if Executive fails to provide written notice to the Company of the facts giving rise to a claim of Good Reason within ten (10) days of the initial existence of such Good Reason event, the Good Reason event shall cease to exist as of the eleventh (11th) day following the later of its initial occurrence or Executive’s knowledge thereof.

2. **Repayment:** If, on or prior to February 29, 2020, Executive is terminated for “Cause” or voluntarily resigns without “Good Reason”, Executive agrees that within ten (10) business days of the separation of Executive’s employment from the Company or any of its Affiliates, Executive will repay the \$380,000 Award paid to Executive by the Company. Executive further agrees that Executive will make the repayment to the Company or an Affiliate in the form of a check or money order made payable to Pier 1 Imports, Inc.

In the event Executive is obligated to repay or reimburse the Company or an Affiliate for the Award as provided in this Agreement, Executive authorizes the Company or an Affiliate to deduct any portion of the Award which Executive is obligated to repay or reimburse from any wages due and owing to Executive including, but not limited to, Executive’s final paycheck. Executive understands and agrees that, if such monies are not sufficient to repay the full amount Executive owes, Executive will still remain obligated to reimburse or pay the balance to the Company or an Affiliate.

3. **Tax Withholding:** Any compensation paid or provided to Executive under this Agreement shall be subject to any applicable federal, state or local income and employment tax withholding requirements.
4. **Confidentiality:** Executive shall treat as confidential the fact of Executive’s receipt of this Award and its terms and conditions. If the Company determines that Executive has shared such information with any other person, the Executive is obligated to repay the \$380,000 Award paid to the Executive by the Company or an Affiliate pursuant to the Agreement.
5. **Employment Status:** This Agreement does not constitute a contract of employment or a guarantee of employment for any length of time, one year or otherwise. Except where expressly superseded by state law, the Company or an Affiliate is an at-will employer and reserves the right to terminate the employment of any associate for any reason with or without past record of corrective action. An associate also has the right to terminate his/her employment with the Company or an Affiliate for any reason and at any time.
6. **Choice of Law and Venue:** This Agreement was negotiated and entered into, at least in part, in the state of Texas and shall be construed under the laws of the state of Texas without regard to conflicts or choice of law and venue shall be brought exclusively in Tarrant County, Texas.

PIER 1 IMPORTS, INC.

By: /s/ Christine A. Murray

Christine A. Murray

Senior Vice President, Human Resources, and CHRO

/s/ Mark R. Haley

Mark R. Haley

Date: January 9, 2019

Date: January 9, 2019



March 8, 2018

Kelly N. Cook
Via electronic mail

Dear Kelly,

This letter confirms the offer of employment with Pier 1 Services Company (the "Company"), a subsidiary of Pier 1 Imports, Inc., for the position of Executive Vice President, Marketing in Fort Worth, Texas, effective March 19, 2018 ("Start Date") pursuant to the terms of the attached Employment Term Sheet ("Exhibit A"). The position reports to the President and Chief Executive Officer at a starting base salary of \$450,000 per year (\$17,307.69 bi-weekly), subject to required withholdings for applicable taxes and voluntary pay deductions.

This offer of employment is contingent upon the completion, receipt and review of all references and background checks currently underway, each subject to the Company's approval and approval of the Employment Term Sheet by the Compensation Committee of the Board of Directors of Pier 1 Imports, Inc.

You represent and warrant to the Company that (a) on the date you sign and accept the terms of this offer letter, you have affirmatively provided notice (written and verbal) to Sears Holdings Corporation ("Sears") that you have accepted an offer of employment with the Company, in accordance with the Addendum to Agreements between you and Sears, dated February 6, 2018, in which Sears provided a waiver, with respect to your employment with the Company, of the non-competition provision set forth in your Executive Severance Agreement with Sears, dated March 17, 2015, (b) as of the Start Date with the Company, you are not subject to any obligation, written or oral, containing any non-competition provision or any other restriction that would result in any restriction on your ability to accept and perform this or any other position with the Company or any of its affiliates, and (c) you are not (i) a member of any board of directors, board of trustees or similar governing body of any for-profit, non-profit or not-for-profit entity, or (ii) a party to any agreement, written or oral, with any entity under which you would receive remuneration for your services, except as disclosed to and approved by the Company in advance of the Start Date. You agree that you will not (A) become a member of any board or body described in clause (c)(i) of the preceding sentence or (B) become a party to any agreement described in clause (c)(ii) of the preceding sentence, in each case without the prior written consent of the Company, such consent not to be unreasonably withheld. Further, you agree you will not disclose or use, in violation of any obligation of confidentiality, any information that you acquired as a result of any previous employment or otherwise.

If this letter and the attached Employment Term Sheet correctly sets forth your understanding of the Company's offer of employment, then please sign where indicated below to acknowledge your acceptance and return a copy to me.

Sincerely,

Pier 1 Services Company
By: Pier 1 Holdings, Inc., its managing trustee
By: /s/ Christine Murray
Christine Murray, Senior V.P. – Human Resources
and Chief Human Resources Officer

Agreed to:

/s/ Kelly N. Cook
Kelly N. Cook

March 8, 2018
Date

cc: Alasdair James

EXHIBIT “A”

**EMPLOYMENT TERM SHEET
FOR
KELLY N. COOK**

This term sheet summarizes the principal terms and conditions of the proposed employment of Kelly N. Cook (“Executive”) by Pier 1 Services Company (“Company”), effective upon the Start Date as defined in the attached letter.

Position	Executive Vice President, Marketing
Office Location	Company Headquarters, Fort Worth, Texas
Duties and Reporting Relationships	Duties commensurate with position, reporting directly to President and Chief Executive Officer.
Base Salary	\$450,000 per year, subject to annual review by the Compensation Committee of the Board of Directors of Pier 1 Imports, Inc.
Sign on Bonus	<p>\$75,000 payable upon completion of 60 days of employment; subject to pro rata clawback in the event Executive voluntarily leaves the Company or is terminated for Cause (as defined in the Executive Agreement referenced below) within 12 months following the Start Date.</p> <p>Additional \$50,000 payable upon completion of one year of service; subject to pro rata clawback in the event Executive voluntarily leaves the Company or is terminated for Cause (as defined in the Executive Agreement referenced below) within 12 months following payment of the award.</p>
Annual short-term incentives	Participation in the Company’s Fiscal Year 2019 annual short-term cash incentive program at a level commensurate with other senior officers. Future fiscal year programs are subject to Compensation Committee authorization and approval.
Initial Time-Based Stock Award	Initial time-based restricted stock award having a value equal to \$225,000, granted upon the Start Date. Number of shares to be determined based on \$225,000 value divided by the 30-day trailing average of the closing price of Pier 1 Imports, Inc. common stock as of the Start Date. Vests in equal annual installments on each of the first three anniversaries of the grant date, subject to Executive’s continued employment with the Company at the time of vesting.
Performance-Based Stock Award	Performance-based restricted stock award having a target value equal to \$337,500 (75% of base salary) granted at the time of the Fiscal Year 2019 long-term equity incentive grants (on or about 4/20/18), subject to and as approved by the Compensation Committee. Number of shares to be determined based on \$337,500 value divided by the 30-day trailing average of the closing price of Pier 1 Imports, Inc. common stock as of the grant date.

Future Equity Awards	Eligible beginning in Fiscal Year 2020 for grants of stock awards under the Company's long-term equity incentive program at a level commensurate with other senior officers. Future fiscal year grants are subject to Compensation Committee authorization and approval.
Severance	As of the Start Date, the Company and Executive will enter into an Executive Agreement providing for 12 months of salary continuation in the event Executive's employment with the Company is terminated by the Company without Cause or by Executive without Good Reason (each as defined in the Executive Agreement).
Non-Compete, Non-Solicitation and Non-Disclosure	Based on your access to and use of Confidential Information as described in the Executive Agreement, you will be subject to non-compete and vendor, customer and employee non-solicitation provisions for a period of one year following your termination of employment, and non-disclosure provisions following your termination of employment.
Group insurance plan	Eligible to participate in Company broad-based managed health plan, long-term disability, short-term disability, dental insurance, accident insurance, vision and life insurance, and a prescription drug plan. Subject to terms of plans. The Company will reimburse Executive for COBRA costs pending eligibility for Company's welfare benefit plans.
Stock purchase plan	Eligible to purchase Pier 1 Imports, Inc. stock through contributions of up to 20% of eligible compensation, plus Company matching contributions of 25% of amounts contributed. Subject to plan terms.
Deferred compensation plan	Eligible participation includes matching contributions equal to 100% of the first 1% of eligible compensation deferred and 50% of the next 4% of eligible compensation deferred. Subject to plan terms.
401(k) retirement plan	Eligible participation includes matching contributions based on pre-tax contributions to the plan equal to 100% of the first 1% of eligible compensation to the plan and 50% of the next 4% of eligible compensation contributed to the plan. Subject to plan terms.
Relocation	Up to \$90,000 in accordance with the Company's standard relocation policy.
Vacation	Four weeks of vacation granted upon date of hire.
Merchandise discount	25% discount on Pier 1 Imports merchandise. Subject to Associate Discount Policy.

-END-



EXECUTIVE AGREEMENT

By this Executive Agreement dated March 19, 2018 (“Agreement”), Pier 1 Imports, Inc. and its affiliates and subsidiaries (herein “Pier 1 Imports” and/or “Company”), and Kelly N. Cook (“Executive”), intending to be legally bound, and for good and valuable consideration, agree as follows:

1. Effect of Severance.

(a) Severance Benefits. If Executive is involuntarily terminated without “Cause” or Executive voluntarily terminates Executive’s employment for “Good Reason” (as such terms are defined in Section 2 below), Executive shall be entitled to the benefits described in subsection (i) and (ii) below (collectively referred to herein as “Severance Benefits”). Executive shall not be entitled to the Severance Benefits if Executive’s employment terminates for any other reason, including due to death or “Disability” (as defined in Section 2 below). Executive shall also not be entitled to Severance Benefits if Executive does not meet all of the other requirements under this Agreement, including under subsection 1(c).

(i) Continuation of Salary.

(1) Pier 1 Imports shall pay Executive cash severance equal to one times Executive’s annual base salary rate in effect as of the Date of Termination (as defined in Section 2 below). Subject to subsection (a)(i)(2) below, payment of such amount (“Salary Continuation”) shall commence on Executive’s Date of Termination and shall be paid in substantially equal installments on each regular salary payroll date for a period of twelve (12) months following the Date of Termination (“Salary Continuation Period”), except as otherwise provided in this Agreement.

Notwithstanding the foregoing, the Pier 1 Imports obligations under this subsection (a)(i)(1) shall be reduced on a dollar-for-dollar basis (but not below zero), by the amount, if any, of fees, salary or wages that Executive earns from a subsequent employer (including those arising from self-employment) during the Salary Continuation Period. For avoidance of doubt, Executive shall not be obligated to seek affirmatively or accept an employment, contractor, consulting or other arrangement in order to mitigate Salary Continuation. Further, to the extent Executive does not execute and timely submit the General Release and Waiver (in accordance with subsection 1(c) below) by the deadline specified therein, Salary Continuation payments shall terminate and forever lapse, and Executive shall be required to reimburse Pier 1 Imports for any portion of the Salary Continuation paid during the Salary Continuation Period.

(2) Notwithstanding anything in this subsection (a)(i) to the contrary, if the Salary Continuation payable to Executive in accordance with subsection (a)(i)(1) above during the first six (6) months after Executive’s Date of Termination would exceed the “Section 409A Threshold” and if as of the Date of Termination Executive is a “Specified Employee” (as such terms are defined in Section 2 below), then, payment shall be made to Executive on each regular salary payroll date during the first six (6) months of the Salary Continuation Period until the aggregate amount received equals the Section 409A Threshold. Any portion of the Salary Continuation in excess of the Section 409A Threshold that would otherwise be paid during such first six (6) months, or any portion of the Salary Continuation that is otherwise subject to Section 409A, shall instead be paid to Executive in a lump sum payment on the date that is six (6) months and one (1) day after the Executive’s Date of Termination.

(3) All Salary Continuation payments (described under this subsection (a)(i)) will terminate and forever lapse in the event of Executive's breach of this Agreement (in accordance with Section 12 below), and Executive shall be required to reimburse Pier 1 Imports for any portion of the Salary Continuation paid during the Salary Continuation Period.

(ii) Outplacement.

As of Executive's Date of Termination, Executive will be immediately eligible for reasonable outplacement services at the expense of Pier 1 Imports. Pier 1 Imports and Executive will mutually agree on which outplacement firm, among current vendors used by Pier 1, will provide these services. Such services will be provided for up to twelve (12) months from the Date of Termination or until employment is obtained, whichever occurs first. Outplacement benefits described in this subsection (a)(ii) will terminate and forever lapse in the event of Executive's breach of this Agreement (in accordance with Section 12 below), and Executive shall be required to reimburse Pier 1 Imports for the cost of outplacement services received by Executive during the Salary Continuation Period.

(iii) Other.

(1) In addition to the foregoing Severance Benefits, a lump sum payment will be made to Executive within ten (10) business days following the Date of Termination in an amount equal to the sum of any base salary for which Executive has not already been paid. No vacation benefits will accrue during the Salary Continuation Period.

(2) Notwithstanding the foregoing and anything herein to the contrary, in the event of Executive's death during the Salary Continuation Period, any unpaid portion of the Salary Continuation payable in accordance with subsection (a)(i) above shall be paid in a lump sum, within sixty (60) days of death, to Executive's estate.

(b) Impact of Termination on Certain Other Plans/Programs.

(i) Annual Incentive Plan.

Upon Executive's Date of Termination, Executive's entitlement to any award under any applicable short-term cash incentive program ("STI") sponsored by Pier 1 Imports shall be determined in accordance with the terms and conditions of the applicable STI award letter and governing plan document regarding termination of employment.

(ii) Long-Term Equity Incentive Program(s).

Upon Executive's Date of Termination, Executive's entitlement to any award granted to Executive under a long-term equity incentive program ("LTI") sponsored by Pier 1 Imports, including any unvested options, restricted stock or other equity award granted to Executive, shall be determined in accordance with the terms and conditions of the applicable award agreement and governing plan document regarding termination of employment.

(iii) Insurance programs.

Upon Executive's Date of Termination, benefits such as accident insurance, long term disability, and short-term disability will cease immediately. If enrolled and Executive wishes to continue receiving medical, vision and/or dental benefits, Executive may elect to continue his/her insurance coverage by completing the forms that will be made available to Executive at the end of his/her employment and paying his/her portion of the COBRA premium each month in advance.

(c) General Release and Waiver. Upon Executive's Date of Termination (whether initiated by Pier 1 Imports or Executive) potentially entitling Executive to Severance Benefits, Executive will be provided with a binding general release and waiver of claims ("General Release and Waiver") in a form substantially similar to the General Release and Waiver attached hereto as Exhibit "A" and made a part hereof. If the General Release and Waiver is not signed within the time specified in the General Release and Waiver or is signed but subsequently revoked, Executive will not continue to receive any Severance Benefits otherwise payable under subsection 1(a) above. Further,

Executive shall be obligated to reimburse Pier 1 Imports for any portion of (i) the Salary Continuation paid during the Salary Continuation Period under subsection (1)(a)(i) herein and (ii) the cost of other Severance Benefits received by Executive during the Salary Continuation Period.

(d) **Post-Termination Forfeiture of Severance Benefits.** If Pier 1 Imports determines after Executive's Date of Termination that Executive engaged in activity during employment with Pier 1 Imports that constituted Cause, Executive shall immediately cease to be eligible for Severance Benefits and shall be required to reimburse Pier 1 Imports for any portion of the Salary Continuation paid to Executive and for the cost of other Severance Benefits received by Executive during the Salary Continuation Period.

2. **Definitions.** For purposes of this Agreement, each capitalized term in this Agreement is either defined in the section, exhibit or appendix in which it first appears or in this Section 2. The following capitalized terms shall have the definitions as set forth below:

(a) **"Cause"** shall mean a good faith determination by the Board of Directors of Pier 1 Imports, Inc. ("Board") that any of the following has occurred: (i) the Executive's material or habitual failure to follow the reasonable and lawful directions of any superior officer of the Company, provided the direction(s) is not materially inconsistent with the duties or responsibilities of the Executive's position, or to perform his/her duties with the Company (other than any such failure resulting from the Executive's Disability) which failure is not cured within ten (10) days after a written demand for performance is delivered to the Executive by the Company which specifically identifies the manner in which the Company believes that the Executive has materially or habitually failed to perform the Executive's duties; (ii) the Executive's charge with, indictment for, conviction of, or entry of a plea of guilty or nolo contendere or no contest with respect to: (a) any felony, or any misdemeanor involving dishonesty or moral turpitude (including pleading guilty or nolo contendere to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of the Company, or (b) any crime connected with the business of the Company; (iii) the Executive's engaging in any gross negligence or gross misconduct in connection with the performance of his/her duties hereunder, which is, or is likely to be, materially injurious to the Company, its financial condition, or its reputation; (iv) the Executive's commission of or engagement in any act of fraud, misappropriation, material dishonesty, or embezzlement, whether or not such act was committed in connection with the business of the Company; (v) the Executive's breach of fiduciary duty, breach of any of the covenants set forth in Section 6 of this Agreement, or material breach of any other provisions of this Agreement; or (vi) the Executive's violation of the Company's policy against harassment, its equal employment opportunity policy, or the Company's code of business conduct, or a material violation of any other policy or procedure of the Company.

(b) **"Code"** shall mean the Internal Revenue Code of 1986, as amended.

(c) **"Date of Termination"** shall mean the date on which Executive has a Separation from Service from the Company for any reason.

(d) **"Disability"** shall mean disability as defined under the Pier 1 Imports long-term disability plan (regardless of whether the Executive is a participant under such plan).

(e) **"Good Reason"** shall mean, without Executive's written consent, (i) a reduction of more than ten percent (10%) in the sum of Executive's annual base salary and target STI award as a percentage of base salary from those in effect as of the date of this Agreement; (ii) a material diminution in Executive's authority, duties or responsibilities; (iii) Executive's mandatory relocation to an office more than fifty (50) miles from the primary location at which Executive is required to perform Executive's duties as of the date of this Agreement; or (iv) any other action or inaction that constitutes a material breach of the terms of this Agreement by Company, including failure of a successor company to assume or fulfill the obligations under this Agreement. Notwithstanding the foregoing or anything to the contrary contained herein, the Company's compliance with the "Employment Term Sheet" for Executive under cover of the offer letter dated March 9, 2018 shall not result in any reduction under this paragraph. In each case, Executive must provide Pier 1 Imports with written notice of the facts giving rise to a claim that "Good Reason" exists for purposes of this Agreement, within thirty (30) days of the initial existence of such Good Reason event, and Pier 1 Imports shall have the right to remedy such event within sixty (60) days after receipt of Executive's written notice ("the sixty (60) day period"). If Pier 1 Imports remedies the Good Reason event within the sixty (60) day period, the Good Reason event (and Executive's right to receive any benefit under this Agreement on account of termination of employment for Good Reason) shall cease to exist. If Pier 1 Imports does not remedy the Good Reason event within the sixty (60) day period, and Executive does not incur a termination of employment within thirty (30)

days following the earlier of: (y) the date Pier 1 Imports notifies Executive that it does not intend to remedy the Good Reason or does not agree that there has been a Good Reason event, or (z) the expiration of the sixty (60) day period, the Good Reason event (and Executive's right to receive any benefit under this Agreement on account of termination of employment for Good Reason) shall cease to exist. Notwithstanding the foregoing, if Executive fails to provide written notice to Pier 1 Imports of the facts giving rise to a claim of Good Reason within thirty (30) days of the initial existence of such Good Reason event, the Good Reason event (and Executive's right to receive any benefit under this Agreement on account of termination of employment for Good Reason) shall cease to exist as of the thirty-first (31st) day following the later of its occurrence or Executive's knowledge thereof.

(f) "Section 409A Threshold" shall mean an amount equal to two times the lesser of (i) Executive's base salary for services provided to Pier 1 Imports as an employee for the calendar year preceding the calendar year in which Executive has a Separation from Service; or (ii) the maximum amount that may be taken into account under a qualified plan in accordance with Code Section 401(a)(17) for the calendar year in which the Executive has a Separation from Service. In all events, this amount shall be limited to the amount specified under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A) or any successor thereto.

(g) "Separation from Service" shall mean a "separation from service" with Pier 1 Imports within the meaning of Code Section 409A (and regulations issued thereunder). Notwithstanding anything herein to the contrary, the fact that Executive is treated as having incurred a Separation from Service under Code Section 409A and the terms of this Agreement shall not be determinative, or in any way affect the analysis, of whether Executive has retired, terminated employment, separated from service, incurred a severance from employment or become entitled to a distribution, under the terms of any retirement plan (including pension plans and 401(k) savings plans) maintained by Pier 1 Imports and to which Executive is a participant.

(h) "Specified Employee" shall mean a "specified employee" under Code Section 409A (and regulations issued thereunder).

3. Intellectual Property Rights. Executive acknowledges that Executive's development, work or research on any and all inventions or expressions of ideas, that may or may not be eligible for patent, copyright, trademark or trade secret protection, hereafter made or conceived solely or jointly within the scope of employment at Pier 1 Imports, provided such invention or expression of an idea relates to the business of Pier 1 Imports, or relates to actual or demonstrably anticipated research or development of Pier 1 Imports, or results from any work performed by Executive for or on behalf of Pier 1 Imports, are hereby assigned to Pier 1 Imports, including Executive's entire rights, title and interest. Executive will promptly disclose such invention or expression of an idea to Executive's management and will, upon request, promptly execute a specific written assignment of title to Pier 1 Imports. If Executive currently holds any inventions or expressions of an idea, regardless of whether they were published or filed with the U.S. Patent and Trademark Office or the U.S. Copyright Office, or is under contract to not so assign, Executive will list them on the last page of this Agreement.

4. Protective Covenants. Executive acknowledges that this Agreement provides for additional consideration beyond employment itself and beyond what Pier 1 Imports is otherwise obligated to provide. For good and valuable consideration, including but not limited to the use of and access to Confidential Information as outlined below, Executive agrees to the following:

(a) Non-Disclosure of Confidential Information and Return of Property. Executive acknowledges and agrees to be bound by the following, whether or not Executive receives any Severance Benefits under this Agreement:

(i) Non-Disclosure of Confidential Information.

Pier 1 Imports agrees that during Executive's employment with Pier 1 Imports, Pier 1 Imports promises to provide Executive with use of and access to its Confidential Information. Executive agrees that he/she shall not, directly or indirectly, use any Confidential Information on his/her own behalf or on behalf of any person or entity other than Pier 1 Imports, or reveal, divulge, or disclose any Confidential Information to any person or entity not expressly authorized by Pier 1 Imports to receive such Confidential Information. This obligation shall remain in effect for as long as the information or materials in question retain their status as Confidential Information. Executive further agrees that he/she shall fully cooperate with Pier 1 Imports in maintaining the Confidential Information to the extent permitted by law. The parties acknowledge and agree that

this Agreement is not intended to, and does not, alter either Pier 1 Imports' rights or Executive's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, Executive shall not be restricted from: (A) disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; *provided, however*, that in the event such disclosure is required by law, Executive shall provide Pier 1 Imports with prompt notice of such requirement so that Pier 1 Imports may seek an appropriate protective order prior to any such required disclosure by Executive; (B) reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, or from making other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation, and Executive shall not need the prior authorization of Pier 1 Imports to make any such reports or disclosures and shall not be required to notify Pier 1 Imports that Executive has made such reports or disclosures; (C) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, in either event solely for the purpose of reporting or investigating a suspected violation of law; or (D) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(ii) Definition of Confidential Information.

"Confidential Information" means any and all data and information relating to Pier 1 Imports, its activities, business, or customers that (i) is disclosed to Executive or of which Executive becomes aware as a consequence of his/her employment with Pier 1 Imports; (ii) has value to Pier 1 Imports; and (iii) is not generally known outside of Pier 1 Imports. "Confidential Information" shall include, but is not limited to the following types of information regarding, related to, or concerning Pier 1 Imports: trade secrets (as defined by applicable law); financial plans and data; management planning information; business plans; operational methods; market studies; marketing plans or strategies; pricing information; product development techniques or plans; listings of customers, buying agents, vendors and manufacturers; customer, buying agent, vendor and manufacturer files, data and financial information; details of customer, buying agent, vendor and manufacturer contracts; current and anticipated customer, buying agent, vendor and manufacturer requirements; identifying and other information pertaining to business referral sources; past, current and planned research and development; computer aided systems, software, strategies and programs; business acquisition plans; management organization and related information (including, without limitation, data and other information concerning the compensation and benefits paid to officers, directors, employees and management); personnel and compensation policies; new personnel acquisition plans; and other similar information. "Confidential Information" also includes combinations of information or materials which individually may be generally known outside of Pier 1 Imports, but for which the nature, method, or procedure for combining such information or materials is not generally known outside of Pier 1 Imports. In addition to data and information relating to Pier 1 Imports, "Confidential Information" also includes any and all data and information relating to or concerning a third party that otherwise meets the definition set forth above, that was provided or made available to Pier 1 Imports by such third party, and that Pier 1 Imports has a duty or obligation to keep confidential. This definition shall not limit any definition of "confidential information" or any equivalent term under state or federal law. "Confidential Information" shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of Pier 1 Imports.

(iv) Return of Materials.

Executive agrees that he/she will not retain or destroy (except as set forth below), and will immediately return to Pier 1 Imports on or prior to the Date of Termination, or at any other time Pier 1 Imports requests such return, any and all property of Pier 1 Imports that is in his/her possession or subject to his/her control, including, but not limited to, customer, buying agent, vendor and manufacturer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, keys, access cards, credit cards, identification cards, equipment, computers, mobile devices, other electronic media, all other files and documents relating to Pier 1 Imports and its business (regardless of form, but specifically including all electronic files and data of Pier 1 Imports), together with all Confidential Information

belonging to Pier 1 Imports or that Executive received from or through his/her employment with Pier 1 Imports. Executive will not make, distribute, or retain copies of any such information or property. To the extent that Executive has electronic files or information in his/her possession or control that belong to Pier 1 Imports or contain Confidential Information (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to the Date of Termination, or at any other time Pier 1 Imports requests, Executive shall (A) provide Pier 1 Imports with an electronic copy of all of such files or information (in an electronic format that readily accessible by Pier 1 Imports); (B) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-Pier 1 Imports owned computers, mobile devices, electronic media, cloud storage, and other media, devices, and equipment, such that such files and information are permanently deleted and irretrievable; and (C) provide a written certification to Pier 1 Imports that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted.

(b) Non-Recruitment of Employees and Independent Contractors. During Executive's employment with Pier 1 Imports and for twelve (12) months following the Date of Termination, whether or not Executive receives any Severance Benefits under this Agreement, Executive will not, directly or indirectly, whether on his/her own behalf or as a principal or representative of any other person or entity, recruit, solicit, or induce or attempt to recruit, solicit or induce any employee or independent contractor of Pier 1 Imports to terminate his/her employment or other relationship with Pier 1 Imports or to enter into employment or any other kind of business relationship with Executive or any other person or entity.

(c) Non-Competition. In return for Pier 1 Imports' promise to provide Executive with access to and use of its Confidential Information (as described in Section 4(a)(i)-(ii) above), during Executive's employment with Pier 1 Imports and for twelve (12) months following the Date of Termination, Executive will not, within the United States, directly or indirectly, engage, either as a principal, management employee, partner, consultant, officer, director or investor (other than a less-than-1% stock interest in a corporation), in a business which is a competitor of the Company. For purposes of this subsection 4(c), a business shall be deemed a "competitor" of the Company if it engages in the commerce of a Specialty Home Fashions or Furniture Business or of an Off-Price Home Fashions or Furniture Business, whether through stores (retail or wholesale), on-line e-commerce or any combination thereof.

The term "Specialty Home Fashions or Furniture Business" shall mean a business (however organized or conducted, including any on-line e-commerce operations) that operates retailing of conventional or full-markup predominantly of its own branded merchandise consisting of furniture, decorative accessories, housewares, bed and bath, and seasonal goods, or any other category of merchandise sold by the Company during the Executive's employment, that is manufactured specifically for the business, requires a significant degree of handcraftsmanship and is mostly imported from foreign suppliers. By way of illustration, a "Specialty Home Fashions or Furniture Business" shall include such businesses as the Company, Restoration Hardware, Inc., Kirkland's, Inc., Williams-Sonoma, Inc., Pottery Barn, Inc. and Bed, Bath & Beyond, Inc. and stores under the names "World Market," "Cost Plus," "Cost Plus World Market," "Crate & Barrel," "Home Goods," "IKEA," "Wayfair," "Hayneedle," and "At Home."

The term "Off-Price Home Fashions or Furniture Business" shall mean a business (however organized or conducted, including any on-line e-commerce operations) that operates retailing of predominantly branded and/or designer merchandise of third parties consisting of home fashions and/or furnishings at prices significantly less than or discounted from those of specialty stores and/or department stores. By way of illustration, an "Off-Price Home Fashions or Furniture Business" shall include such businesses as The TJX Companies, Inc. and Ross Stores, Inc.

The Company may from time to time prior to, and during the thirty (30) days following, any Date of Termination, by written notice to the Executive, for purposes of clarification, add to the list of illustrative examples of a Specialty Home Fashions or Furniture Business and an Off-Price Home Fashions or Furniture Business set forth in this subsection 4(c) the names of other companies or businesses meeting the definitions of such terms.

5. Enforcement of Protective Covenants.

(a) Rights and Remedies Upon Breach. The parties specifically acknowledge and agree that the remedy at law for any breach of the restrictions in Section 4 of this Agreement (the "Protective Covenants") will be inadequate, and that in the event Executive breaches, or threatens to breach, any of the Protective Covenants, Pier 1 Imports shall have the right and remedy, without the necessity of proving actual damage or posting any bond, to enjoin, preliminarily and permanently, Executive from violating or threatening to violate the Protective Covenants and to have the Protective Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Protective Covenants would cause irreparable injury to Pier 1 Imports and that money damages would not provide an adequate remedy to Pier 1 Imports. Executive understands and agrees that if he/she violates any of the obligations set forth in the Protective Covenants, the period of restriction applicable to each obligation violated shall cease to run during the pendency of any litigation over such violation, provided that such litigation was initiated during the period of effectiveness of the Protective Covenants. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to Pier 1 Imports at law or in equity. Pier 1 Imports' ability to enforce its rights under the Protective Covenants or applicable law against Executive shall not be impaired in any way by the existence of a claim or cause of action on the part of Executive based on, or arising out of, this Agreement or any other event or transaction.

(b) Severability and Modification of Covenants. Executive acknowledges and agrees that each of the Protective Covenants is reasonable and valid in time and scope and in all other respects and is no greater than necessary to protect Pier 1 Imports' legitimate business interests. The parties agree that it is their intention that the Protective Covenants be enforced in accordance with their terms to the maximum extent permitted by law. Each of the Protective Covenants shall be considered and construed as a separate and independent covenant. Should any part or provision of any of the Protective Covenants be held invalid, void, or unenforceable, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Agreement or such Protective Covenant. If any of the provisions of the Protective Covenants should ever be held by a court of competent jurisdiction to exceed the scope permitted by the applicable law, such provision or provisions shall be automatically modified to such lesser scope as such court may deem just and proper for the reasonable protection of Pier 1 Imports' legitimate business interests and may be enforced by Pier 1 Imports to that extent in the manner described above and all other provisions of this Agreement shall be valid and enforceable.

6. Non-Disparagement. Executive shall not (i) in any way publicly disparage Pier 1 Imports or its equity holders, officers, directors, employees or agents, (ii) cause embarrassment or public humiliation to such entities or persons, or (iii) make any public statement that is adverse, inimical or otherwise detrimental to the interests of any such entities or persons. This Section 6 shall not in any way limit any of Executive's rights that are expressly reserved in the final sentence of Section 4(a)(i), or in any way limit Executive's ability to provide truthful testimony or information in response to a subpoena, court or arbitral order, or valid request by a government entity, or as otherwise required by law.

7. Cooperation. Executive agrees, without receiving additional compensation, to fully and completely cooperate with Pier 1 Imports, both during and after his/her period of employment with Pier 1 Imports (including any Salary Continuation Period), with respect to matters that relate to Executive's period of employment, in all investigations, potential litigation or litigation in which Pier 1 Imports is involved or may become involved, other than any such investigations, potential litigation or litigation between Pier 1 Imports and Executive. Pier 1 Imports will reimburse Executive for reasonable travel and out-of-pocket expenses incurred in connection with any such investigations, potential litigation or litigation.

8. Existing Covenants. Executive represents and warrants that his/her employment with Pier 1 Imports does not and will not breach any agreement that Executive has with any former employer to keep in confidence proprietary or confidential information or not to compete with any such former employer. Executive will not disclose to Pier 1 Imports or use on its behalf any proprietary or confidential information of any other party required to be kept confidential by Executive.

9. Disclosure of Agreement. Executive acknowledges and agrees that, during the twelve (12) months following the Date of Termination, he/she will disclose the existence and terms of this Agreement to any prospective employer, business partner, investor or lender prior to entering into an employment, partnership or other business relationship with such prospective employer, business partner, investor or lender. Executive further agrees that Pier 1 Imports shall have the right to make any such prospective employer, business partner, investor or lender of Executive aware of the existence and terms of this Agreement.

10. Employment Status. Nothing in this Agreement shall be construed as a commitment, guarantee, agreement, or understanding of any kind or nature that Pier 1 Imports will continue to employ Executive, nor will this Agreement affect in any way the right of Pier 1 Imports or Executive to terminate Executive's employment at any time and for any reason, with or without Cause (unless otherwise agreed to by the parties separately in writing). Executive acknowledges and agrees that he/she is an "at will" employee.

11. Future Enforcement or Remedy. Any waiver, or failure to seek enforcement or remedy for any breach or suspected breach, of any provision of this Agreement by Pier 1 Imports or Executive in any instance shall not be deemed a waiver of any breach or suspected breach of such provision in the future.

12. Breach by Executive. In the event of a breach by Executive of any of the provisions of this Agreement, including without limitation the Protective Covenants (Section 4) and the non-disparagement provision (Section 6) of this Agreement, the obligation of Pier 1 Imports to pay Salary Continuation or to provide other Severance Benefits under this Agreement will immediately cease and any Salary Continuation payments already received and the value of any other Severance Benefits already received will be returned by Executive to Pier 1 Imports.

13. Severability. If any provision(s) of this Agreement shall be found invalid, illegal, or unenforceable, in whole or in part, then such provision(s) shall be modified or restricted so as to effectuate as nearly as possible in a valid and enforceable way the provisions hereof, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision(s) had been originally incorporated herein as so modified or restricted or as if such provision(s) had not been originally incorporated herein, as the case may be.

14. Governing Law. This Agreement was negotiated, entered into and is performable, in whole or in part, in the State of Texas and will therefore be governed under the internal laws of the state of Texas without regard to principles of conflicts of laws. Executive agrees that the state and federal courts located in Tarrant County Texas shall have jurisdiction in any action, lawsuit or proceeding based on or arising out of this Agreement, and Executive hereby: (a) submits to the personal jurisdiction of such courts; (b) consents to the service of process in connection with any action, suit, or proceeding against Executive; and (c) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction, venue or service of process.

15. Right to Jury. Executive agrees to waive any right to a jury trial on any claim contending that this Agreement or the General Release and Waiver is illegal or unenforceable in whole or in part, and Executive agrees to try any claims brought in a court or tribunal without use of a jury or advisory jury. Further, should any claim arising out of Executive's employment, termination of employment or Salary Continuation Period (if any) be found by a court or tribunal of competent jurisdiction to not be released by the General Release and Waiver, Executive agrees to try such claim to the court or tribunal without use of a jury or advisory jury.

16. Other Plans, Programs, Policies and Practices. If any provision of this Agreement conflicts with any other plan, programs, policy, practice or other Pier 1 Imports' document, then the provisions of this Agreement will control, except as otherwise precluded by law.

17. Entire Agreement. This Agreement, including any exhibits or appendices hereto along with the offer letter to which this Agreement is attached, contains and comprises the entire understanding and agreement between Executive and Pier 1 Imports and fully supersedes any and all prior agreements or understandings between Executive and Pier 1 Imports with respect to the subject matter contained herein, and may be amended only by a writing signed by both parties.

18. Tax Withholding. Any compensation paid or provided to Executive under this Agreement shall be subject to any applicable federal, state or local income and employment tax withholding requirements.

19. Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: _____ At the most recent address on file at Pier 1 Imports

If to Pier 1 Imports: _____ Pier 1 Imports, Inc.
100 Pier 1 Place
Fort Worth, Texas 76102
Attention: General Counsel

20. Employing Subsidiary. Executive may serve as an executive officer of Pier 1 Imports, Inc. and will serve as an executive officer and employee of the Company's wholly owned subsidiary, Pier 1 Services Company, a Delaware statutory trust ("Pier 1 Services"). All payments of cash compensation to Executive in connection with his/her employment and any other cash payments called for under this Agreement or owing to Executive in connection with his/her employment will be paid by Pier 1 Services.

21. Resignation. Effective as of the Date of Termination, Executive hereby resigns as an officer and a director of any entity that is wholly owned by, wholly owns or is otherwise affiliated with Pier 1 Imports, for which he/she is serving as of the Date of Termination.

22. Assignment. Pier 1 Imports may assign its rights under this Agreement to any successor in interest, whether by merger, consolidation, sale of assets, or otherwise. This Agreement shall be binding whether it is between Pier 1 Imports and Executive or between any successor or assignee of Pier 1 Imports or affiliate thereof and Executive.

23. Code Section 280G. Notwithstanding any other provision of this Agreement to the contrary, to the extent that any payment or distribution of any type to or for Executive by the Company (or any person or entity who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of Section 280G of the Code and the regulations thereunder)), or any affiliate of such person or entity, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments"), is or will be subject to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), then the Total Payments shall be reduced (but not below zero) if and to the extent that a reduction in the Total Payments would result in Executive retaining a larger amount, on an after-tax basis (taking into account federal, state and local income taxes and the Excise Tax), than if Executive received the entire amount of such Total Payments. The determination of whether the Total Payments shall be reduced and the amount of such reduction shall be determined by an accounting firm selected by Executive and the Company, such accounting firm's expenses shall be paid for by Pier 1 Services, and such accounting firm's determination shall be final and binding upon Executive and the Company.

24. Code Section 409A Compliance. To the extent that a payment or benefit under this Agreement is subject to Code Section 409A, it is intended that this Agreement as applied to that payment or benefit comply with the requirements of Code Section 409A, and the Agreement shall be administered and interpreted consistent with this intent.

25. Counterparts. This Agreement may be executed in one or more counterparts, which together shall constitute a valid and binding agreement.

IN WITNESS WHEREOF, Executive and Pier 1 Imports, by its duly authorized representative, have executed this Agreement on the dates stated below, effective as of the latest date set forth below. The effective date shall be inserted in the preamble paragraph of the beginning of this Agreement.

COMPANY

By: /s/ Alasdair James
Alasdair James
President and Chief Executive Officer
Pier 1 Imports, Inc.
Date: March 19, 2018

EXECUTIVE

/s/ Kelly N. Cook
Kelly N. Cook

Date: March 19, 2018

Listing, if any, pursuant to Section 3 of this Agreement:

None



NOTICE: YOU MAY CONSIDER THIS GENERAL RELEASE AND WAIVER FOR UP TO TWENTY-ONE (21) DAYS. YOU MAY NOT SIGN IT UNTIL ON OR AFTER YOUR LAST DAY OF WORK. IF YOU DECIDE TO SIGN IT, YOU MAY REVOKE THE GENERAL RELEASE AND WAIVER WITHIN SEVEN (7) DAYS AFTER SIGNING. ANY REVOCATION WITHIN THIS PERIOD MUST BE IMMEDIATELY SUBMITTED IN WRITING TO GENERAL COUNSEL, PIER 1 IMPORTS, INC., 100 PIER 1 PLACE, FORT WORTH, TEXAS, 76102. YOU MAY WISH TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS DOCUMENT.

GENERAL RELEASE AND WAIVER

In consideration of the severance benefits that are described in the attached Executive Agreement, I, for myself, my heirs, administrators, representatives, executors, successors and assigns, do hereby release Pier 1 Imports, Inc., its subsidiaries and affiliates and its and their respective current and former agents, subsidiaries, affiliates, related organizations, employees, officers, directors, shareholders, attorneys, successors, and assigns (collectively, "Pier 1 Imports") from any and all claims of any kind whatsoever, whether known or unknown, including but not limited to those claims arising out of, or connected with, my employment with Pier 1 Imports and the termination of my employment. This General Release and Waiver includes, but is not limited to, all claims under **Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866 (42 U.S.C. § 1981), the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Employee Retirement Income Security Act ("ERISA"), the Americans with Disabilities Act, the Rehabilitation Act of 1973, the Worker Adjustment and Retraining Notification Act, the Family and Medical Leave Act, the Equal Pay Act, and any other federal, state or local constitution, statute, regulation or ordinance, all common law claims including, but not limited to, claims for wrongful or retaliatory discharge, intentional infliction of emotional distress, negligence, defamation, invasion of privacy and breach of contract, and all claims under any Pier 1 Imports policy, handbook or practice, to the fullest extent permitted under the law.**

This General Release and Waiver does not apply to any claims that may arise after the date I sign this General Release and Waiver. Also excluded from this General Release and Waiver are any claims that cannot be waived by law and any rights or claims I may have to benefits accrued under benefit plans maintained by Pier 1 Imports and governed by ERISA.

I understand that nothing contained in this General Release and Waiver limits my ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). I further understand that this General Release and Waiver does not limit my ability to communicate or share information with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies. However, based on my release of claims set forth in this General Release and Waiver, I understand that I am releasing all claims and causes of action that I might personally pursue or that might be pursued in my name and, to the extent permitted by applicable law, my right to recover monetary damages or obtain injunctive relief that is personal to me in connection with such claims and causes of action.

I also waive any right to become, and promise not to consent to become, a participant, member, or named representative of any class in any case in which claims are asserted against Pier 1 Imports that are related in any way to my employment or termination of employment at Pier 1 Imports, and that involve events that have occurred as of the date I sign this General Release and Waiver. If I, without my knowledge, am made a member of a class in any proceeding, I will opt out of the class at the first opportunity afforded to me after learning of my inclusion. In this regard, I agree that I will execute, without objection or delay, an "opt-out" form presented to me either by the court in which such proceeding is pending, by class counsel or by counsel for Pier 1 Imports.

I have read this General Release and Waiver and understand all of its terms.

I have signed it voluntarily with full knowledge of its legal significance.

I have had the opportunity to seek, and I have been advised in writing of my right to seek, legal counsel prior to signing this General Release and Waiver.

I was given at least twenty-one (21) days to consider signing this General Release and Waiver. I agree that any modification of this General Release and Waiver Agreement will not restart the twenty-one (21) day consideration period.

I understand that if I sign the General Release and Waiver, I can change my mind and revoke it within seven (7) days after signing it by notifying the General Counsel of Pier 1 Imports in writing at 100 Pier 1 Place, Fort Worth, Texas 76102. I understand the General Release and Waiver will not be effective until after the seven (7) day revocation period has expired.

I understand that the delivery of the consideration herein stated does not constitute an admission of liability by Pier 1 Imports and that Pier 1 Imports expressly denies any wrongdoing or liability.

Date: SAMPLE ONLY - DO NOT DATE

Signed by: SAMPLE ONLY - DO NOT SIGN

Witness by: SAMPLE ONLY - DO NOT SIGN



Retention Award

December 3, 2018

Kelly N. Cook
Executive Vice President – Marketing

Dear Kelly,

As a valued member of the Pier 1 senior executive team and as one whose continued leadership will be especially critical during this time, I am delighted and pleased to inform you that the Compensation Committee of the Board of Directors approved a cash retention award of \$450,000.00. A formal agreement will be provided that will outline the terms and conditions of your retention payment.

On behalf of the Board of Directors congratulations and thank you, not only for your current contributions, but for what you will surely contribute to the future success of our beloved Company.

Regards,

/s/ Alasdair James

Alasdair James
President & CEO

RETENTION AWARD AGREEMENT

A retention award of \$450,000.00 (the "Award") will be paid by Pier 1 Imports, Inc. (the "Company") or an Affiliate to Kelly N. Cook ("Executive") in a cash lump sum, subject to applicable federal, state, and local tax and other payroll withholding, within fifteen (15) days following December 3, 2019 (the "Payment Date") provided (i) Executive remains employed by the Company or an Affiliate through the Payment Date, (ii) Executive's employment is terminated by the Company or an Affiliate prior to the Payment Date without Cause, or (iii) Executive resigns for Good Reason prior to the Payment Date.

For purposes of this Award agreement, the term:

"Affiliate" means any entity which is controlling, controlled by, or under common control with the Company.

"Cause" means the occurrence of any of the following events:

- (a) refusal by Executive to follow a lawful direction of any superior officer of the Company or an Affiliate, provided the direction is not materially inconsistent with the duties or responsibilities of Executive's position;
- (b) performance deficiencies which are communicated to Executive in writing as part of performance reviews and/or other written communications from any superior officer of the Company or an Affiliate;
- (c) willful misconduct or reckless disregard by Executive of Executive's duties or of the interest or property of the Company or its Affiliates;
- (d) any act by Executive of fraud against, material misappropriation from, or significant dishonesty to either the Company or an Affiliate; or
- (e) conviction by Executive of a felony.

"Good Reason" means the occurrence of all of the events listed in either (a) or (b) below:

- (a) a material diminution of Executive's responsibilities as modified by the Company or an Affiliate from time to time hereafter, such that Executive would no longer have responsibilities substantially equivalent to those of similarly situated employees at companies with similar revenues and market capitalization; provided that Executive gives written notice to the Company of the facts and circumstances constituting such material diminution within ten (10) days following the occurrence of such event; the Company (or Affiliate) fails to remedy such material diminution within ten (10) days following Executive's written notice of such event; and Executive terminates Executive's employment within ten (10) days following the Company's or Affiliate's failure to remedy such material diminution; or
- (b) the Company or an Affiliate materially reduces Executive's base salary without Executive's consent, unless the reduction is applied equally, expressed as a percentage of base salaries, to all similarly situated employees; provided that Executive gives written notice to the Company within ten (10) days following Executive's receipt of the notice of reduction in base salary of Executive's objection to the reduction; the Company or Affiliate fails to rescind the notice of reduction within ten (10) days following Executive's written notice; and Executive terminates Executive's employment within ten (10) days following the Company's or Affiliate's failure to rescind the notice.

Executive shall treat as confidential the fact of Executive's receipt of this Award and its terms and conditions. If the Company determines that Executive has shared such information with any other person, any right to payments under this Award shall be forfeited.

This Award shall not be construed as giving Executive the right to be retained in the service of the Company or an Affiliate. Executive shall remain subject to discharge to the same extent as if the Award had never been granted.

Pier 1 Imports, Inc.

By: /s/ Alasdair B. James
Alasdair B. James, President and Chief Executive Officer

AGREED AND ACCEPTED

/s/ Kelly N. Cook

The Pier 1 logo, consisting of the words "Pier 1" in a blue, sans-serif font, enclosed within a thin blue rectangular border.

January 15, 2019

Mr. Robert E. Bostrom
Via electronic mail

Dear Bob,

This letter confirms the offer of employment by Pier 1 Imports, Inc., through its subsidiary, Pier 1 Services Company (together, the "Company"), for the position of Executive Vice President, Chief Legal and Compliance Officer and Corporate Secretary, in Fort Worth, Texas, effective on or before January 23, 2019 ("Start Date") based on mutual agreement and pursuant to the terms of the Employment Term Sheet attached hereto as "Exhibit A" and made a part hereof. The position reports directly to the Chief Executive Officer at a starting base salary of \$615,000 per year (\$23,658.84 bi-weekly), subject to required withholdings for applicable taxes and voluntary pay deductions.

This offer of employment is contingent upon the completion, receipt and review of all references and background checks currently underway, each subject to the Company's approval and approval of the Employment Term Sheet by the Compensation Committee and the Board of Directors of Pier 1 Imports, Inc.

You represent and warrant to the Company that (a) as of the Start Date with the Company, you are not subject to any obligation, written or oral, containing any non-competition provision or any other restriction that would result in any restriction on your ability to accept and perform this or any other position with the Company or any of its affiliates, except as provided in the Agreement between Abercrombie and Fitch and Robert Bostrom provided to the company, and (b) you are not (i) a member of any board of directors, except for certain not-for-profit boards previously disclosed to the Company, board of trustees or similar governing body of any for-profit, non-profit or not-for-profit entity, or (ii) a party to any agreement, written or oral, with any entity under which you would receive remuneration for your services, except as disclosed to and approved by the Company in advance of the Start Date. You agree that you will not (A) become a member of any board or body described in clause (b)(i) of the preceding sentence or (B) become a party to any agreement described in clause (b)(ii) of the preceding sentence, in each case without the prior written consent of the Company, such consent not to be unreasonably withheld. Further, you agree you will not disclose or use, in violation of any obligation of confidentiality, any information that you acquired as a result of any previous employment or otherwise.

If this letter and the attached Employment Term Sheet correctly sets forth your understanding of the Company's offer of employment, then please sign where indicated below to acknowledge your acceptance and return a copy to me.

Sincerely,

Pier 1 Services Company
By: Pier 1 Holdings, Inc., its managing trustee

By: /s/ Christine Murray
Christine Murray, Senior V.P. – Human Resources
and Chief Human Resources Officer

Agreed to:

/s/ Robert E. Bostrom
Robert E. Bostrom

1-16-19
Date

cc: Cheryl Bachelder

EXHIBIT "A" TO OFFER LETTER

EMPLOYMENT TERM SHEET

This term sheet summarizes the principal terms and conditions of the proposed employment of Robert Bostrom (“Executive”) by Pier 1 Imports, Inc., through its subsidiary, Pier 1 Services Company (together, the “Company”), effective upon the Start Date as defined in the offer letter which this Exhibit A is attached to.

Position	Executive Vice President, Chief Legal and Compliance Officer and Corporate Secretary
Office Location	Company Headquarters, Fort Worth, Texas
Duties and Reporting Relationship	Duties commensurate with position description attached, reporting directly to Chief Executive Officer.
Base Salary	\$615,000 per year, subject to annual review by the Compensation Committee.
Sign on Bonus	\$375,000 payable upon commencement of employment; subject to pro rata clawback in the event Executive terminates his employment with the Company without Good Reason or is terminated for Cause (each as defined in the Executive Agreement referenced below) in either case within 12 months following commencement of employment pursuant to the Sign-On Bonus Repayment Agreement attached hereto.
Annual Short-Term Incentive	Participation in the Company’s annual cash incentive program at 125% upon commencement of employment through the remainder of FY19 (3/2/19) and through all of FY20, and then in FY21 at a level commensurate with other senior officers, in each case as determined annually by the Compensation Committee in a manner consistent with other senior officers.
Initial Time-Vesting Stock Award	One-time grant of restricted stock having a value equal to \$375,000 granted upon commencement of employment (with the exact number to be determined by dividing \$375,000 by the thirty-day trailing average stock price as of the employment commencement date). Vests in equal annual installments on the first, second and third anniversaries of the grant date, subject to Executive’s continued employment with the Company. The restricted stock shall vest in full in the event Executive’s employment is terminated by the Company without Cause or by the Executive for Good Reason (each as defined in the Executive Agreement). The restricted stock will be registered on a Form S-8 filed with the SEC on or prior to the date of grant, and will be granted pursuant to a restricted stock award agreement in the form attached hereto.
Annual Long-Term Incentive	Long-term incentive award having a target value equal to \$615,000 (100% of base salary) based on FY20 LTI plan design (TBD) and granted commensurate with FY20 LTI grant in a manner consistent with other senior officers.
Future Equity Awards	Eligible for grants of stock awards under the Company’s Long-Term Equity Incentive Plan at a level commensurate with other senior officers. Future fiscal long-term equity incentive plans are subject to Compensation Committee and Board of Directors authorization and approval.
Executive Agreement	The Company and Executive will enter into an Executive Agreement in the form attached hereto providing for 12 months of salary continuation in the event Executive’s employment with the Company is terminated by the Company without Cause or by Executive for Good Reason (each as defined in the Executive Agreement).
Non-Compete, Non-Solicitation and Non-Disclosure	Subject to non-compete, non-solicitation and confidentiality provisions for a period of one year following termination of employment pursuant to the Executive Agreement.
Group Insurance Plan	Eligible to participate in Company broad-based health and welfare plans, long-term disability, dental insurance, accident insurance, vision and life insurance, and a prescription drug plan. Subject to terms of plans. Pier 1 will reimburse Executive for COBRA costs pending eligibility for Pier 1’s welfare benefit plans.

Stock Purchase Plan	Eligible to purchase Pier 1 Imports, Inc. common stock through contributions of up to 20% of eligible compensation, plus Company matching contributions of 25% of amounts contributed. Subject to terms of plan.
Deferred Compensation Plan	Eligible participation includes company matching contributions equal to 100% of the first 1% of eligible compensation deferred and 50% of the next 4% of eligible compensation deferred. Subject to terms of plan.
401(k) Retirement Plan	Eligible participation includes company matching contributions based on pre-tax contributions to the plan equal to 50% of the first 8% of eligible compensation. Subject to terms of plan.
Relocation Payment	\$100,000 payable upon hire; subject to pro rata clawback in the event Executive terminates his employment with the Company without Good Reason or is terminated for Cause (each as defined in the Executive Agreement) in either case within 12 months following commencement of employment pursuant to the terms of the Executive Relocation Bonus Repayment Agreement attached hereto. The relocation payment shall be in lieu of, and Executive shall not be eligible for, any reimbursement of actual relocation expenses pursuant to the Company's standard relocation policy or otherwise.
Vacation	One week of vacation granted upon Start Date. Five weeks of vacation granted on the first day of FY20 (3/3/19).
Reimbursement of Business Expenses	In accordance with Company guidelines.
Indemnification	The Company will enter into an Indemnification Agreement with Executive in the form attached hereto, which is consistent with indemnification agreements entered into with certain of its other senior executive officers.
D&O Insurance	The Executive will be covered by any directors and officers liability insurance policy (or policies) maintained by the Company during the employment term and thereafter consistent with the Indemnification Agreement.
Merchandise Discount	25% discount on all Pier 1 Imports merchandise, subject to Associate Discount Policy.



EXECUTIVE AGREEMENT

By this Executive Agreement dated January 23, 2019 ("Agreement"), Pier 1 Imports, Inc. and its affiliates and subsidiaries (herein "Pier 1 Imports" and/or "Company"), and Robert E. Bostrom ("Executive"), intending to be legally bound, and for good and valuable consideration, agree as follows:

1. Effect of Severance.

(a) Severance Benefits. If Executive is involuntarily terminated without "Cause" or Executive voluntarily terminates Executive's employment for "Good Reason" (as such terms are defined in Section 2 below), Executive shall be entitled to the benefits described in subsection (i), (ii) and (iii) below (collectively referred to herein as "Severance Benefits"). Executive shall not be entitled to the Severance Benefits if Executive's employment terminates for any other reason, including due to death or "Disability" (as defined in Section 2 below). Executive shall also not be entitled to Severance Benefits if Executive does not meet all of the other requirements under this Agreement, including under subsection 1(c).

(i) Continuation of Salary.

(1) Pier 1 Imports shall pay Executive cash severance equal to one times Executive's annual base salary rate in effect as of the Date of Termination (as defined in Section 2 below). Subject to subsection (a)(i)(2) below, payment of such amount ("Salary Continuation") shall commence on Executive's Date of Termination and shall be paid in substantially equal installments on each regular salary payroll date for a period of twelve (12) months following the Date of Termination ("Salary Continuation Period"), except as otherwise provided in this Agreement.

Pier 1 Imports obligations under this subsection (a)(i)(1) shall not be reduced by the amount, if any, of fees, salary or wages that Executive earns from a subsequent employer (including those arising from self-employment) during the Salary Continuation Period. For avoidance of doubt, Executive shall not be obligated to seek affirmatively or accept an employment, contractor, consulting or other arrangement in order to mitigate Salary Continuation. Further, to the extent Executive does not execute and timely submit the General Release and Waiver (in accordance with subsection 1(c) below) by the deadline specified therein, Salary Continuation payments shall terminate and forever lapse, and Executive shall be required to reimburse Pier 1 Imports for any portion of the Salary Continuation paid during the Salary Continuation Period.

(2) Notwithstanding anything in this subsection (a)(i) to the contrary, if the Salary Continuation payable to Executive in accordance with subsection (a)(i)(1) above during the first six (6) months after Executive's Date of Termination would exceed the "Section 409A Threshold" and if as of the Date of Termination Executive is a "Specified Employee" (as such terms are defined in Section 2 below), then, payment shall be made to Executive on each regular salary payroll date during the first six (6) months of the Salary Continuation Period until the aggregate amount received equals the Section 409A Threshold. Any portion of the Salary Continuation in excess of the Section 409A Threshold that would otherwise be paid during such first six (6) months, or any portion of the Salary Continuation that is otherwise subject to Section 409A, shall instead be paid to Executive in a lump sum payment on the date that is six (6) months and one (1) day after the Executive's Date of Termination.

(3) All Salary Continuation payments (described under this subsection (a)(i)) will terminate and forever lapse in the event of Executive's breach of Section 4(b) or 4(c) hereof, or any material breach of any other provisions of this Agreement (in accordance with Section 11 below), and Executive shall be required to reimburse Pier 1 Imports for any portion of the Salary Continuation paid during the Salary Continuation Period.

(ii) Additional Payment. Pier 1 Imports shall pay Executive an additional amount, payable in a single lump sum within 30 days of the Date of Termination, equal to the amount Pier 1 Imports would have paid for its share of the premiums for Executive and his dependents coverage under Pier 1 Imports' medical plan for twelve months as if Executive's employment had not terminated.

(iii) Outplacement.

As of Executive's Date of Termination, Executive will be immediately eligible for reasonable outplacement services at the expense of Pier 1 Imports. Pier 1 Imports and Executive will mutually agree on which outplacement firm, among current vendors used by Pier 1, will provide these services. Such services will be provided for up to twelve (12) months from the Date of Termination or until employment is obtained, whichever occurs first. Outplacement benefits described in this subsection (a)(ii) will terminate and forever lapse in the event of Executive's breach of Section 4(b) or 4(c) hereof, or any material breach of any other provisions of this Agreement (in accordance with Section 11 below), and Executive shall be required to reimburse Pier 1 Imports for the cost of outplacement services received by Executive during the Salary Continuation Period.

(iv) Other.

(1) In addition to the foregoing Severance Benefits, a lump sum payment will be made to Executive within ten (10) business days following the Date of Termination in an amount equal to the sum of any earned but unpaid base salary and any earned but unpaid annual bonus for the most recently completed fiscal year. No vacation benefits will accrue during the Salary Continuation Period.

(2) Notwithstanding the foregoing and anything herein to the contrary, in the event of Executive's death during the Salary Continuation Period, any unpaid portion of the Salary Continuation payable in accordance with subsection (a)(i) above shall be paid in a lump sum, within sixty (60) days of death, to Executive's estate.

(b) Impact of Termination on Certain Other Plans/Programs.

(i) Annual Incentive Plan.

Upon Executive's Date of Termination, Executive's entitlement to any award under any applicable short-term cash incentive program ("STI") sponsored by Pier 1 Imports shall be determined in accordance with the terms and conditions of the applicable STI award letter and governing plan document regarding termination of employment.

(ii) Long-Term Equity Incentive Program(s).

Upon Executive's Date of Termination, Executive's entitlement to any award granted to Executive under a long-term equity incentive program ("LTI") sponsored by Pier 1 Imports, including any unvested options, restricted stock or other equity award granted to Executive, shall be determined in accordance with the terms and conditions of the applicable award agreement and governing plan document regarding termination of employment.

(iii) Insurance programs.

Upon Executive's Date of Termination, benefits such as accident insurance, long term disability, and short-term disability will cease immediately.

(c) General Release and Waiver. Upon Executive's Date of Termination (whether initiated by Pier 1 Imports or Executive) potentially entitling Executive to Severance Benefits, Executive will be provided with a binding general release and waiver of claims ("General Release and Waiver") in a form substantially similar to the General Release and Waiver attached hereto as Exhibit "A" and made a part hereof. If the General Release and Waiver is not signed within the time specified in the General Release and Waiver or is signed but subsequently revoked, Executive will not continue to receive any Severance Benefits otherwise payable under subsection 1(a) above. Further, Executive shall be obligated to reimburse Pier 1 Imports for any portion of (i) the Salary Continuation paid during the Salary Continuation Period under subsection (1)(a)(i) herein and (ii) the cost of other Severance Benefits received by Executive during the Salary Continuation Period.

(d) Post-Termination Forfeiture of Severance Benefits. If Executive engaged in activity during employment with Pier 1 Imports that constituted Cause, Executive shall immediately cease to be eligible for Severance Benefits and shall be required to reimburse Pier 1 Imports for any portion of the Salary Continuation paid to Executive and for the cost of other Severance Benefits received by Executive during the Salary Continuation Period.

2. Definitions. For purposes of this Agreement, each capitalized term in this Agreement is either defined in the section, exhibit or appendix in which it first appears or in this Section 2. The following capitalized terms shall have the definitions as set forth below:

(a) "Board" shall mean the Board of Directors of Pier 1 Imports, Inc.

(b) "Cause" shall mean a good faith determination by the Board (after providing the Executive with reasonable notice and an reasonable opportunity to be heard in person on the matter) that any of the following has occurred: (i) the Executive's material or habitual failure to follow the reasonable and lawful directions of any superior officer of the Company, provided the direction(s) is not materially inconsistent with the duties or responsibilities of the Executive's position, or a material or habitual failure to perform Executive's duties with the Company (other than any such failure resulting from the Executive's Disability) which failure is not cured within ten (10) days after a written demand for performance is delivered to the Executive by the Company which specifically identifies the manner in which the Company believes that the Executive has materially or habitually failed to perform the Executive's duties; (ii) the Executive's indictment for, conviction of, or entry of a plea of guilty or nolo contendere or no contest with respect to: (a) any felony, or any misdemeanor involving dishonesty or moral turpitude (including pleading guilty or nolo contendere to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of the Company, or (b) any crime connected with the business of the Company; (iii) the Executive's engaging in any gross negligence or gross misconduct in connection with the performance of Executive's duties hereunder, which is, or is likely to be, materially injurious to the Company, its financial condition, or its reputation; (iv) the Executive's commission of or engagement in any act of fraud, misappropriation, material dishonesty, or embezzlement, whether or not such act was committed in connection with the business of the Company; (v) the Executive's breach of fiduciary duty, breach of any of the covenants set forth in Sections 4(b) or 4(c) of this Agreement, or material breach of any other provisions of this Agreement; or (vi) the Executive's violation of the Company's policy against harassment or its equal employment opportunity policy, a material violation of the Company's code of business conduct or any other policy or procedure of the Company.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) "Date of Termination" shall mean the date on which Executive has a Separation from Service from the Company for any reason.

(e) "Disability" shall mean disability as defined under the Pier 1 Imports long-term disability plan (regardless of whether the Executive is a participant under such plan).

(f) “Good Reason” shall mean, without Executive’s written consent, (i) a reduction of more than ten percent (10%) in the sum of Executive’s annual base salary and target STI award as a percentage of base salary from those in effect as of the date of this Agreement; (ii) a material diminution in Executive’s authority, duties or responsibilities; (iii) Executive’s mandatory relocation to an office more than fifty (50) miles from the primary location at which Executive is required to perform Executive’s duties as of the date of this Agreement; or (iv) any other action or inaction that constitutes a material breach by Pier 1 Imports of the terms of this Agreement or the offer letter between Pier 1 Imports and Executive dated the date hereof (the “Offer Letter”), including failure of a successor company to assume or fulfill the obligations under this Agreement or the Offer Letter. In each case, Executive must provide Pier 1 Imports with written notice of the facts giving rise to a claim that “Good Reason” exists for purposes of this Agreement, within sixty (60) days of the initial existence of such Good Reason event, and Pier 1 Imports shall have the right to remedy such event within sixty (60) days after receipt of Executive’s written notice (“the sixty (60) day period”). If Pier 1 Imports remedies the Good Reason event within the sixty (60) day period, the Good Reason event (and Executive’s right to receive any benefit under this Agreement on account of termination of employment for Good Reason) shall cease to exist. If Pier 1 Imports does not remedy the Good Reason event within the sixty (60) day period, and Executive does not incur a termination of employment within thirty (30) days following the earlier of: (y) the date Pier 1 Imports notifies Executive that it does not intend to remedy the Good Reason or does not agree that there has been a Good Reason event, or (z) the expiration of the sixty (60) day period, the Good Reason event (and Executive’s right to receive any benefit under this Agreement on account of termination of employment for Good Reason) shall cease to exist. Notwithstanding the foregoing, if Executive fails to provide written notice to Pier 1 Imports of the facts giving rise to a claim of Good Reason within sixty (60) days of the initial existence of such Good Reason event, the Good Reason event (and Executive’s right to receive any benefit under this Agreement on account of termination of employment for Good Reason) shall cease to exist as of the sixty-first (61st) day following the later of its occurrence or Executive’s knowledge thereof.

(g) “Section 409A Threshold” shall mean an amount equal to two times the lesser of (i) Executive’s base salary for services provided to Pier 1 Imports as an employee for the calendar year preceding the calendar year in which Executive has a Separation from Service; or (ii) the maximum amount that may be taken into account under a qualified plan in accordance with Code Section 401(a)(17) for the calendar year in which the Executive has a Separation from Service. In all events, this amount shall be limited to the amount specified under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A) or any successor thereto.

(h) “Separation from Service” shall mean a “separation from service” with Pier 1 Imports within the meaning of Code Section 409A (and regulations issued thereunder). Notwithstanding anything herein to the contrary, the fact that Executive is treated as having incurred a Separation from Service under Code Section 409A and the terms of this Agreement shall not be determinative, or in any way affect the analysis, of whether Executive has retired, terminated employment, separated from service, incurred a severance from employment or become entitled to a distribution, under the terms of any retirement plan (including pension plans and 401(k) savings plans) maintained by Pier 1 Imports and to which Executive is a participant.

(i) “Specified Employee” shall mean a “specified employee” under Code Section 409A (and regulations issued thereunder).

3. Intellectual Property Rights. Executive acknowledges that Executive’s development, work or research on any and all inventions or expressions of ideas, that may or may not be eligible for patent, copyright, trademark or trade secret protection, hereafter made or conceived solely or jointly within the scope of employment at Pier 1 Imports, provided such invention or expression of an idea relates to the business of Pier 1 Imports, or relates to actual or demonstrably anticipated research or development of Pier 1 Imports, or results from any work performed by Executive for or on behalf of Pier 1 Imports, are hereby assigned to Pier 1 Imports, including Executive’s entire rights, title and interest. Executive will promptly disclose such invention or expression of an idea to Executive’s management and will, upon request, promptly execute a specific written assignment of title to Pier 1 Imports. If Executive currently holds any inventions or expressions of an idea, regardless of whether they were published or filed with the U.S. Patent and Trademark Office or the U.S. Copyright Office, or is under contract to not so assign, Executive will list them on the last page of this Agreement.

4. Protective Covenants. Executive acknowledges that this Agreement provides for additional consideration beyond employment itself and beyond what Pier 1 Imports is otherwise obligated to provide. For good

and valuable consideration, including but not limited to the use of and access to Confidential Information as outlined below, Executive agrees to the following:

(a) Non-Disclosure of Confidential Information and Return of Property. Executive acknowledges and agrees to be bound by the following, whether or not Executive receives any Severance Benefits under this Agreement:

(j) Non-Disclosure of Confidential Information.

Pier 1 Imports agrees that during Executive's employment with Pier 1 Imports, Pier 1 Imports promises to provide Executive with use of and access to its Confidential Information. Executive agrees that Executive shall not, directly or indirectly, use any Confidential Information on Executive's own behalf or on behalf of any person or entity other than Pier 1 Imports, or reveal, divulge, or disclose any Confidential Information to any person or entity not expressly authorized by Pier 1 Imports to receive such Confidential Information. This obligation shall remain in effect for as long as the information or materials in question retain their status as Confidential Information. Executive further agrees that Executive shall fully cooperate with Pier 1 Imports in maintaining the Confidential Information to the extent permitted by law. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either Pier 1 Imports' rights or Executive's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, Executive shall not be restricted from: (A) disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; *provided, however*, that in the event such disclosure is required by law, Executive shall provide Pier 1 Imports with prompt notice of such requirement so that Pier 1 Imports may seek an appropriate protective order prior to any such required disclosure by Executive; (B) reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, or from making other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation, and Executive shall not need the prior authorization of Pier 1 Imports to make any such reports or disclosures and shall not be required to notify Pier 1 Imports that Executive has made such reports or disclosures; (C) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, in either event solely for the purpose of reporting or investigating a suspected violation of law; or (D) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(ii) Definition of Confidential Information.

"Confidential Information" means any and all data and information relating to Pier 1 Imports, its activities, business, or customers that (i) is disclosed to Executive or of which Executive becomes aware as a consequence of Executive's employment with Pier 1 Imports; (ii) has value to Pier 1 Imports; and (iii) is not generally known outside of Pier 1 Imports. "Confidential Information" shall include, but is not limited to the following types of information regarding, related to, or concerning Pier 1 Imports: trade secrets (as defined by applicable law); financial plans and data; management planning information; business plans; operational methods; market studies; marketing plans or strategies; pricing information; product development techniques or plans; listings of customers, buying agents, vendors and manufacturers; customer, buying agent, vendor and manufacturer files, data and financial information; details of customer, buying agent, vendor and manufacturer contracts; current and anticipated customer, buying agent, vendor and manufacturer requirements; identifying and other information pertaining to business referral sources; past, current and planned research and development; computer aided systems, software, strategies and programs; business acquisition plans; management organization and related information (including, without limitation, data and other information concerning the compensation and benefits paid to officers, directors, employees and management); personnel and compensation policies; new personnel acquisition plans; and other similar information. "Confidential Information" also includes combinations of information or materials which

individually may be generally known outside of Pier 1 Imports, but for which the nature, method, or procedure for combining such information or materials is not generally known outside of Pier 1 Imports. In addition to data and information relating to Pier 1 Imports, "Confidential Information" also includes any and all data and information relating to or concerning a third party that otherwise meets the definition set forth above, that was provided or made available to Pier 1 Imports by such third party, and that Pier 1 Imports has a duty or obligation to keep confidential. This definition shall not limit any definition of "confidential information" or any equivalent term under state or federal law. "Confidential Information" shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of Pier 1 Imports.

(iii) Return of Materials.

Executive agrees that Executive will not retain or destroy (except as set forth below), and will immediately return to Pier 1 Imports on or prior to the Date of Termination, or at any other time Pier 1 Imports requests such return, any and all property of Pier 1 Imports that is in Executive's possession or subject to Executive's control, including, but not limited to, customer, buying agent, vendor and manufacturer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, keys, access cards, credit cards, identification cards, equipment, computers, mobile devices, other electronic media, all other files and documents relating to Pier 1 Imports and its business (regardless of form, but specifically including all electronic files and data of Pier 1 Imports), together with all Confidential Information belonging to Pier 1 Imports or that Executive received from or through Executive's employment with Pier 1 Imports. Executive will not make, distribute, or retain copies of any such information or property. To the extent that Executive has electronic files or information in Executive's possession or control that belong to Pier 1 Imports or contain Confidential Information (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to the Date of Termination, or at any other time Pier 1 Imports requests, Executive shall (A) provide Pier 1 Imports with an electronic copy of all of such files or information (in an electronic format that is readily accessible by Pier 1 Imports); (B) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-Pier 1 Imports owned computers, mobile devices, electronic media, cloud storage, and other media, devices, and equipment, such that such files and information are permanently deleted and irretrievable; and (C) upon written request by Pier 1 Imports on or following the Date of Termination, provide a written certification to Pier 1 Imports that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted.

(b) Non-Solicitation of Employees and Independent Contractors. During Executive's employment with Pier 1 Imports and for twelve (12) months following the Date of Termination, whether or not Executive receives any Severance Benefits under this Agreement, Executive will not, directly or indirectly, whether on Executive's own behalf or as a principal or representative of any other person or entity, recruit, solicit, or induce or attempt to recruit, solicit or induce any employee or independent contractor of Pier 1 Imports with whom Executive had any contact whatsoever during Executive's employment to terminate his or her employment or other relationship with Pier 1 Imports or to enter into employment or any other kind of business relationship with Executive or any other person or entity.

(c) Non-Competition. In return for the Company's and its Affiliates' promise to provide Executive with access to and use of its Confidential Information (as described in Section (4)(a)(i)-(iii) above), during Executive's employment with Pier 1 Imports and for twelve (12) months following the Date of Termination, Executive will not, within the Restricted Area, directly or indirectly, engage, either as a principal, employee, partner, consultant, officer, director or investor (other than a less-than-1% stock interest in a corporation), in a business which is a competitor of the Company, in the same or similar type capacity as Executive was employed by Pier 1 Imports. For purposes of this subsection 4(c), a business shall be deemed a "competitor" of Pier 1 Imports if it engages in the commerce of a Home Fashions or Furniture Business or is a Home Décor Division of a Business, whether through stores (retail or wholesale), on-line e-commerce or any combination thereof.

(i) The term “Restricted Area” shall mean the United States unless, during the last two (2) years of Executive’s employment, Executive’s employment responsibilities include a different geographic territory and Executive’s access to Confidential Information is restricted to such different geographic territory, in which case the term “Restricted Area” shall mean such different geographic territory.

(ii) The term “Home Fashions or Furniture Business” shall mean a business (however organized or conducted, including any on-line e-commerce operations) that primarily engages in the sale, marketing, distribution, manufacturing or design of merchandise consisting of furniture, decorative accessories, housewares, bed and bath, and seasonal goods, or any other category of merchandise sold by Pier 1 Imports during Executive’s employment. By way of illustration, a “Home Fashions or Furniture Business” shall include such businesses as Pier 1 Imports, Restoration Hardware, Inc., Kirkland’s, Inc., Williams-Sonoma, Inc., Pottery Barn, Inc., Tuesday Morning Corporation, and Bed, Bath & Beyond, Inc. and stores under the names “World Market,” “Cost Plus,” “Cost Plus World Market,” “Crate & Barrel,” “Home Goods,” “Home Sense,” “IKEA,” “Wayfair,” “Hayneedle,” and “At Home.”

(iii) The term “Home Décor Division of a Business” shall mean a category, division, branch, or unit of a business (however organized or conducted, including any on-line e-commerce operations, specialty retailer, big box retailer or department store) that engages in the sale, marketing, distribution, manufacturing or design of furniture, decorative accessories, housewares, bed and bath, and seasonal goods, or any other category of merchandise sold Pier 1 Imports during the Executive’s employment. By way of illustration, a “Home Décor Division of a Business” shall include the home furnishings, home décor or other similar home-related category, division, branch, or unit of The TJX Companies, Inc., Ross Stores, Inc., J.C. Penney Company, Inc., Target Corporation, The Michaels Companies, Inc., The Container Store Group, Inc., Amazon.com, Inc., and Neiman Marcus Group LTD LLC.

(iv) Pier 1 Imports may from time to time prior to any Date of Termination, by written notice to the Executive, for purposes of clarification, add to the list of illustrative examples of a Home Fashions or Furniture Business or a Home Décor Division of a Business set forth in this subsection 4(c) the names of other companies or businesses meeting the definitions of such terms.

5. Enforcement of Protective Covenants.

(a) Rights and Remedies Upon Breach. The parties specifically acknowledge and agree that the remedy at law for any breach of the restrictions in Section 4 of this Agreement (the “Protective Covenants”) will be inadequate, and that in the event Executive breaches, or threatens to breach, any of the Protective Covenants, Pier 1 Imports shall have the right and remedy, without the necessity of proving actual damage or posting any bond, to enjoin, preliminarily and permanently, Executive from violating or threatening to violate the Protective Covenants and to have the Protective Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Protective Covenants would cause irreparable injury to Pier 1 Imports and that money damages would not provide an adequate remedy to Pier 1 Imports. Executive understands and agrees that if Executive violates any of the obligations set forth in the Protective Covenants, the period of restriction applicable to each obligation violated shall cease to run during the pendency of any litigation over such violation, provided that such litigation was initiated during the period of effectiveness of the Protective Covenants. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to Pier 1 Imports at law or in equity. Pier 1 Imports’ ability to enforce its rights under the Protective Covenants or applicable law against Executive shall not be impaired in any way by the existence of a claim or cause of action on the part of Executive based on, or arising out of, this Agreement or any other event or transaction.

(b) Severability and Modification of Covenants. Executive acknowledges and agrees that each of the Protective Covenants is reasonable and valid in time and scope and in all other respects and is no greater than necessary to protect Pier 1 Imports’ legitimate business interests. The parties agree that it is their intention that the Protective Covenants be enforced in accordance with their terms to the maximum extent permitted by law. Each of the Protective Covenants shall be considered and construed as a separate and independent covenant. Should any part or provision of

any of the Protective Covenants be held invalid, void, or unenforceable, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Agreement or such Protective Covenant. If any of the provisions of the Protective Covenants should ever be held by a court of competent jurisdiction to exceed the scope permitted by the applicable law, such provision or provisions shall be automatically modified to such lesser scope as such court may deem just and proper for the reasonable protection of Pier 1 Imports' legitimate business interests and may be enforced by Pier 1 Imports to that extent in the manner described above and all other provisions of this Agreement shall be valid and enforceable.

6. Non-Disparagement. Executive shall not (i) in any way publicly disparage Pier 1 Imports or its equity holders, officers, directors, employees or agents, (ii) intentionally cause embarrassment or public humiliation to such entities or persons, or (iii) make any public statement that is adverse, inimical or otherwise materially detrimental to the interests of any such entities or persons. This Section 6 shall not in any way limit any of Executive's rights that are expressly reserved in the final sentence of Section 4(a)(i), or in any way limit Executive's ability to provide truthful testimony or information in response to a subpoena, court or arbitral order, or valid request by a government entity, or as otherwise required by law.

7. Cooperation. Executive agrees, without receiving additional compensation, to fully and completely cooperate with Pier 1 Imports, both during Executive's period of employment with Pier 1 Imports and during any Salary Continuation Period, with respect to matters that relate to Executive's period of employment, in all investigations, potential litigation or litigation in which Pier 1 Imports is involved or may become involved, other than any such investigations, potential litigation or litigation between Pier 1 Imports and Executive. Pier 1 Imports will reimburse Executive for reasonable travel and out-of-pocket expenses incurred in connection with any such investigations, potential litigation or litigation.

8. Disclosure of Agreement. Executive acknowledges and agrees that, during the twelve (12) months following the Date of Termination, Executive will disclose the existence and terms of this Agreement to any prospective employer, business partner, investor or lender prior to entering into an employment, partnership or other business relationship with such prospective employer, business partner, investor or lender. Executive further agrees that Pier 1 Imports shall have the right to make any such prospective employer, business partner, investor or lender of Executive aware of the existence and terms of this Agreement.

9. Employment Status. Nothing in this Agreement shall be construed as a commitment, guarantee, agreement, or understanding of any kind or nature that Pier 1 Imports will continue to employ Executive, nor will this Agreement affect in any way the right of Pier 1 Imports or Executive to terminate Executive's employment at any time and for any reason, with or without Cause (unless otherwise agreed to by the parties separately in writing). Executive acknowledges and agrees that Executive is an "at will" employee.

10. Future Enforcement or Remedy. Any waiver, or failure to seek enforcement or remedy for any breach or suspected breach, of any provision of this Agreement by Pier 1 Imports or Executive in any instance shall not be deemed a waiver of any breach or suspected breach of such provision in the future.

11. Breach by Executive. In the event of a breach by Executive of Section 4(b) or 4(c) hereof, or any material breach of any other provisions of this Agreement, the obligation of Pier 1 Imports to pay Salary Continuation or to provide other Severance Benefits under this Agreement will immediately cease and any Salary Continuation payments already received and the value of any other Severance Benefits already received will be returned by Executive to Pier 1 Imports.

12. Severability. If any provision(s) of this Agreement shall be found invalid, illegal, or unenforceable, in whole or in part, then such provision(s) shall be modified or restricted so as to effectuate as nearly as possible in a valid and enforceable way the provisions hereof, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision(s) had been originally incorporated herein as so modified or restricted or as if such provision(s) had not been originally incorporated herein, as the case may be.

13. Governing Law. This Agreement was negotiated, entered into and is performable, in whole or in part, in the State of Texas and will therefore be governed under the internal laws of the state of Texas without regard

to principles of conflicts of laws. Executive agrees that the state and federal courts located in Tarrant County Texas shall have jurisdiction in any action, lawsuit or proceeding based on or arising out of this Agreement, and Executive hereby: (a) submits to the personal jurisdiction of such courts; (b) consents to the service of process in connection with any action, suit, or proceeding against Executive; and (c) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction, venue or service of process.

14. Right to Jury. Executive agrees to waive any right to a jury trial on any claim contending that this Agreement or the General Release and Waiver is illegal or unenforceable in whole or in part, and Executive agrees to try any claims brought in a court or tribunal without use of a jury or advisory jury. Further, should any claim arising out of Executive's employment, termination of employment or Salary Continuation Period (if any) be found by a court or tribunal of competent jurisdiction to not be released by the General Release and Waiver, Executive agrees to try such claim to the court or tribunal without use of a jury or advisory jury.

15. Other Plans, Programs, Policies and Practices. If any provision of this Agreement conflicts with any other plan, programs, policy, practice or other Pier 1 Imports' document, then the provisions of this Agreement will control, except as otherwise precluded by law.

16. Entire Agreement. This Agreement, including any exhibits or appendices hereto along with the Offer Letter (including all agreements referenced therein), contains and comprises the entire understanding and agreement between Executive and Pier 1 Imports and fully supersedes any and all prior agreements or understandings between Executive and Pier 1 Imports with respect to the subject matter contained herein, and may be amended only by a writing signed by both parties. For the avoidance of doubt, should Executive be subject to restrictive covenants in another agreement between Executive and Pier 1 Imports (such as a long-term incentive award agreement) that by their terms do not apply if Executive's employment is terminated by Pier 1 without cause or by Executive with good reason, the inapplicability of those restrictive covenants shall not affect the applicability of the restrictive covenants contained herein and Executive shall be bound by the terms of this Agreement as set forth herein.

17. Tax Withholding. Any compensation paid or provided to Executive under this Agreement shall be subject to any applicable federal, state or local income and employment tax withholding requirements.

18. Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: At the most recent address on file at Pier 1 Imports

If to Pier 1 Imports: Pier 1 Imports, Inc.
100 Pier 1 Place
Fort Worth, Texas 76102
Attention: General Counsel

19. Employing Subsidiary. Executive may serve as an executive officer of Pier 1 Imports, Inc. and will serve as an executive officer and employee of the Company's wholly owned subsidiary, Pier 1 Services Company, a Delaware statutory trust ("Pier 1 Services"). All payments of cash compensation to Executive in connection with Executive's employment and any other cash payments called for under this Agreement or owing to Executive in connection with Executive's employment will be paid by Pier 1 Services.

20. Resignation. Effective as of the Date of Termination, Executive hereby resigns as an officer and a director of any entity that is wholly owned by, wholly owns or is otherwise affiliated with Pier 1 Imports, for which Executive is serving as of the Date of Termination.

21. Assignment. The rights and obligations of Pier 1 Imports under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of Pier 1 Imports. Pier 1 Imports may assign its rights under this Agreement to any successor in interest, whether by merger, consolidation, sale of assets, or otherwise. This

Agreement shall be binding whether it is between Pier 1 Imports and Executive or between any successor or assignee of Pier 1 Imports or affiliate thereof and Executive.

22. Code Section 280G. Notwithstanding any other provision of this Agreement to the contrary, to the extent that any payment or distribution of any type to or for Executive by the Company (or any person or entity who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of Section 280G of the Code and the regulations thereunder)), or any affiliate of such person or entity, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments"), is or will be subject to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), then the Total Payments shall be reduced (but not below zero) if and to the extent that a reduction in the Total Payments would result in Executive retaining a larger amount, on an after-tax basis (taking into account federal, state and local income and employment taxes and the Excise Tax), than if Executive received the entire amount of such Total Payments. In applying any such reduction, to the extent any such payments may be subject to Code Section 409A, the reduction shall first be applied to any payments under Section 1(a)(i) hereof on a pro rata basis, and next to the remaining payments on a pro rata basis in proportion to the amount of such payments that are considered "contingent on a change in ownership or control" within the meaning of Section 280G of the Code. The determination of whether the Total Payments shall be reduced and the amount of such reduction shall be determined by an accounting firm selected by Executive and the Company, such accounting firm's expenses shall be paid for by Pier 1 Services, and such accounting firm's determination shall be final and binding upon Executive and the Company.

23. Code Section 409A Compliance. To the extent that a payment or benefit under this Agreement is subject to Code Section 409A, it is intended that this Agreement as applied to that payment or benefit comply with the requirements of Code Section 409A, and the Agreement shall be administered and interpreted consistent with this intent. Whenever payments under this Agreement are to be made in installments, each such installment shall be deemed to be a separate payment for purposes of Section 409A.

24. Counterparts. This Agreement may be executed in one or more counterparts, which together shall constitute a valid and binding agreement.

IN WITNESS WHEREOF, Executive and Pier 1 Imports, by its duly authorized representative, have executed this Agreement on the dates stated below, effective as of the latest date set forth below. The effective date shall be inserted in the preamble paragraph of the beginning of this Agreement.

COMPANY

By: /s/ Cheryl A. Bachelder
Name: Cheryl A. Bachelder
Title: Interim Chief Executive Officer

Date: 1-23-19

EXECUTIVE

/s/ Robert E. Bostrom
Robert E. Bostrom

Date: 1-23-19

Listing, if any, pursuant to Section 3 of this Agreement:

N/A



NOTICE: YOU MAY CONSIDER THIS GENERAL RELEASE AND WAIVER FOR UP TO TWENTY-ONE (21) DAYS. YOU MAY NOT SIGN IT UNTIL ON OR AFTER YOUR LAST DAY OF WORK. IF YOU DECIDE TO SIGN IT, YOU MAY REVOKE THE GENERAL RELEASE AND WAIVER WITHIN SEVEN (7) DAYS AFTER SIGNING. ANY REVOCATION WITHIN THIS PERIOD MUST BE IMMEDIATELY SUBMITTED IN WRITING TO CHIEF HUMAN RESOURCES OFFICER, PIER 1 IMPORTS, INC., 100 PIER 1 PLACE, FORT WORTH, TEXAS, 76102. YOU MAY WISH TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS DOCUMENT.

GENERAL RELEASE AND WAIVER

In consideration of the severance benefits that are described in the attached Executive Agreement, I, for myself, my heirs, administrators, representatives, executors, successors and assigns, do hereby release Pier 1 Imports, Inc., its subsidiaries and affiliates and its and their respective current and former agents, subsidiaries, affiliates, related organizations, employees, officers, directors, shareholders, attorneys, successors, and assigns (collectively, "Pier 1 Imports") from any and all claims of any kind whatsoever, whether known or unknown, including but not limited to those claims arising out of, or connected with, my employment with Pier 1 Imports and the termination of my employment. This General Release and Waiver includes, but is not limited to, all claims under **Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866 (42 U.S.C. § 1981), the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Employee Retirement Income Security Act ("ERISA"), the Americans with Disabilities Act, the Rehabilitation Act of 1973, the Worker Adjustment and Retraining Notification Act, the Family and Medical Leave Act, the Equal Pay Act, and any other federal, state or local constitution, statute, regulation or ordinance, all common law claims including, but not limited to, claims for wrongful or retaliatory discharge, intentional infliction of emotional distress, negligence, defamation, invasion of privacy and breach of contract, and all claims under any Pier 1 Imports policy, handbook or practice, to the fullest extent permitted under the law.**

This General Release and Waiver does not apply to any claims that may arise after the date I sign this General Release and Waiver. Also excluded from this General Release and Waiver are (i) any claim that the Company breached its commitments under Section 1 of the Executive Agreement; (ii) treatment of my equity awards as provided under the terms of my Equity Grant Agreements and the terms of the Long-Term Equity Incentive Program; (iii) indemnification under applicable corporate law, any agreement with the Company, or the by-laws or certificate of incorporation of the Company; (iv) coverage under any director's and officer's liability insurance policy; and (v) any claims that cannot be waived by law and any rights or claims I may have to benefits accrued under benefit plans maintained by Pier 1 Imports and governed by ERISA.

I understand that nothing contained in this General Release and Waiver limits my ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). I further understand that this General Release and Waiver does not limit my ability to communicate or share information with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies. However, based on my release of claims set forth in this General Release and Waiver, I understand that I am releasing all claims and causes of action that I might personally pursue or that might be pursued in my name and, to the extent permitted by applicable law, my right to recover monetary damages or obtain injunctive relief that is personal to me in connection with such claims and causes of action.

I also waive any right to become, and promise not to consent to become, a participant, member, or named representative of any class in any case in which claims are asserted against Pier 1 Imports that are related in any way to my employment or termination of employment at Pier 1 Imports, and that involve events that have occurred as of the date I sign this General Release and Waiver. If I, without my knowledge, am made a member of a class in any

proceeding, I will opt out of the class at the first opportunity afforded to me after learning of my inclusion. In this regard, I agree that I will execute, without objection or delay, an “opt-out” form presented to me either by the court in which such proceeding is pending, by class counsel or by counsel for Pier 1 Imports.

I have read this General Release and Waiver and understand all of its terms.

I have signed it voluntarily with full knowledge of its legal significance.

I have had the opportunity to seek, and I have been advised in writing of my right to seek, legal counsel prior to signing this General Release and Waiver.

I was given at least twenty-one (21) days to consider signing this General Release and Waiver. I agree that any modification of this General Release and Waiver Agreement will not restart the twenty-one (21) day consideration period.

I understand that if I sign the General Release and Waiver, I can change my mind and revoke it within seven (7) days after signing it by notifying the Chief Human Resources Officer of Pier 1 Imports in writing at 100 Pier 1 Place, Fort Worth, Texas 76102. I understand the General Release and Waiver will not be effective until after the seven (7) day revocation period has expired.

I understand that the delivery of the consideration herein stated does not constitute an admission of liability by Pier 1 Imports and that Pier 1 Imports expressly denies any wrongdoing or liability.

Date: **SAMPLE ONLY - DO NOT DATE**

Signed by:

SAMPLE ONLY - DO NOT SIGN

Witness by:

SAMPLE ONLY - DO NOT SIGN

**RESTRICTED STOCK AWARD AGREEMENT
JANUARY 23, 2019 TIME-BASED AWARD**

THIS RESTRICTED STOCK AWARD AGREEMENT (this "Agreement") is made effective and entered into as of January 23, 2019, by and between PIER 1 IMPORTS, INC., a Delaware corporation (the "Company"), and Robert E. Bostrom (the "Grantee").

WHEREAS, this restricted stock award (this "Award") is granted as an employment inducement award under New York Stock Exchange Listing Rule 303A.08, and not under any Company stockholder-approved stock incentive plan; and

WHEREAS, during Grantee's employment, and based on Grantee's position with the Company and/or its Affiliates, Grantee has acquired and will continue to acquire, by reason of Grantee's position, substantial knowledge of the operations and practices of the business of the Company and/or its Affiliates; and

WHEREAS, the Company desires to assure that, to the extent and for the period of Grantee's service and for a reasonable period thereafter, the confidentiality of the Company's and its Affiliates' trade secrets and proprietary information be maintained, and the Company's and its Affiliates' goodwill and other legitimate business interests be protected, each of which could be compromised if any competitive business were to secure Grantee's services; and

WHEREAS, the Committee has determined that the Grantee be granted this Award for the number of shares and upon the terms set forth below;

NOW, THEREFORE, the Company and the Grantee hereby agree as follows:

1. Grant of Award. The Grantee is hereby granted an Award of Six Hundred Fifty-Seven Thousand Eight Hundred Ninety-Four (657,894) shares of Common Stock subject to restrictions on disposition by the Grantee and an obligation of the Grantee to forfeit and surrender the shares to the Company under certain circumstances (the "Restricted Stock") subject to the terms and conditions hereinafter set forth. The shares of Restricted Stock covered by this Award shall be represented by a stock certificate registered in the Grantee's name, or by uncertificated shares designated for the Grantee in book-entry form on the records of the Company's transfer agent, subject to the restrictions set forth in this Agreement. Any stock certificate issued shall bear the following or a similar legend:

"The transferability of this certificate and the shares of Common Stock represented hereby are subject to the terms, conditions and restrictions (including forfeiture) contained in the Restricted Stock Award Agreement entered into between the registered owner and Pier 1 Imports, Inc. A copy of such plan and agreement is on file in the offices of Pier 1 Imports, Inc., 100 Pier 1 Place, Fort Worth, Texas 76102."

Any Common Stock certificates or book-entry uncertificated shares evidencing such shares shall be held in custody by the Company or, if specified by the Committee, with a third party custodian or trustee, until the restrictions thereon shall have lapsed, and, as a condition of this Award, the Grantee shall deliver a stock power, duly endorsed in blank, relating to any certificated restricted shares of Common Stock covered by this Award.

2. Transfer Restrictions. Except as expressly provided herein, this Award and the restricted shares of Common Stock issued with respect to this Award are non-transferable otherwise than by will or by the laws of descent and distribution, and may not otherwise be assigned, pledged or hypothecated or otherwise disposed of and shall not be subject to execution, attachment or similar process. Upon any attempt to effect any such disposition, or upon the levy of any such process, this Award shall immediately become null and void and the restricted shares of Common Stock relating thereto shall be forfeited.

3. Restrictions.

(a) Vesting. The restrictions on the shares of Common Stock covered by this Award shall lapse and such shares shall vest at the rate of one-third of such shares on each of the first, second and third anniversaries of the date of grant of this Award of the date of grant of this Award; provided, however, that the Company shall not be obligated to vest any fractional shares of Common Stock and any such fractional shares upon vesting shall be rounded to the nearest whole number.

(b) Termination of Employment without Cause or for Good Reason. The restrictions on the shares of Common Stock covered by this Award shall lapse and such shares shall vest upon the termination of Grantee's employment by the Company or any Affiliate of the Company (or a surviving or acquiring entity) without Cause (as defined in Section 10 below) or Grantee's resignation for Good Reason (as defined in Section 10 below).

(c) Other Terminations of Employment. Upon termination of employment of the Grantee with the Company or any Affiliate of the Company (or the successor of any such company) for any reason other than as specified in Section 3(b) above, the Grantee shall forfeit all rights in shares of Common Stock covered by this Award as to which the restrictions thereon shall not have lapsed, and the ownership of such shares shall immediately vest in the Company. For purposes of this Award, no termination of Grantee's employment shall occur as a result of the transfer of Grantee between the Company and any Affiliate or as a result of the transfer of the Grantee between two Affiliates. The cessation of a relationship between the Company and an Affiliate with which the Grantee is employed whereby such company is no longer an Affiliate shall constitute a termination of employment of the Grantee.

4. Voting and Dividend Rights. With respect to the Common Stock covered by this Award for which the restrictions have not lapsed, the Grantee shall have the right to vote such shares but shall not receive any cash dividends paid with respect to such shares. Any dividend or distribution payable with respect to restricted shares of Common Stock covered by this Award that shall be paid in shares of Common Stock shall be subject to the same restrictions provided for herein. Any other form of dividend or distribution payable on shares of the restricted shares of Common Stock covered by this Award, and any consideration receivable for or in conversion of or exchange for the restricted shares of Common Stock covered by this Award, unless otherwise determined by the Committee, shall be subject to the terms and conditions of this Agreement or with such modifications thereof as the Committee may provide in its absolute discretion.

5. Distribution Following End of Restrictions. Upon the expiration of the restrictions provided in Section 3 hereof as to any portion of the restricted shares of Common Stock covered by this Award, the Company in its sole discretion will either cause a certificate evidencing such amount of Common Stock to be delivered to the Grantee (or, in the case of Grantee's death after such events, cause such certificate to be delivered to Grantee's legal representative, beneficiary or heir) or provide book-entry uncertificated shares designated for the Grantee (or, in the case of Grantee's death after such events, provide book-entry uncertificated shares designated for Grantee's legal representative, beneficiary or heir) on the records of the Company's transfer agent free of the legend or restriction regarding transferability, as the case may be; *provided, however*, that the Company shall not be obligated to issue any fractional shares of Common Stock. All shares of Common Stock covered by this Award which do not vest as provided in Section 3 hereto, shall be forfeited by the Grantee along with all rights thereto, and the ownership of such shares shall immediately vest in the Company.

6. Covenants Not to Disclose, Solicit or Compete.

(a) Non-Disclosure of Confidential Information and Return of Property.

(i) Grantee acknowledges that: (A) the Company and its Affiliates are engaged in a continuous program of research and development respecting their activities, business and customers throughout the United States and the countries in which they operate or conduct business (the foregoing, together with any other businesses in which the Company and/or its Affiliates engage from the date hereof to the date of the termination of Grantee's employment with the Company and/or any of its Affiliates to be known as the "Company Business"); (B) Grantee's work for and position with the Company and/or its Affiliates has allowed Grantee, and will continue to allow Grantee, access to trade secrets of, and Confidential Information (as defined below) concerning the Company Business; (C) the Company would not have agreed to grant the Grantee this Award but for the agreements and covenants contained in this Agreement; and (D) the agreements and covenants contained in this Agreement are necessary and essential to protect the business, goodwill, and customer relationships that Company and/or its Affiliates have expended significant resources to develop. The Company agrees and acknowledges that, on or following the date of this Agreement, the Company and/or its Affiliates will provide Grantee with one or more of the following: (X) continued and ongoing authorization through computer passwords or by other means to access Confidential Information regarding the Company, its Affiliates and the Company Business; (Y) authorization to represent the Company and/or its Affiliates in communications with customers, suppliers, vendors, manufacturers, agents and other third parties to promote the goodwill of the Company Business, all in accordance with generally applicable policies of the Company and/or its Affiliates; and (Z) participation in certain restricted access meetings, conferences or training relating to Company Business and the Grantee's position with the Company and/or its Affiliates. Grantee understands and agrees that if Confidential Information were used in competition against the Company and/or its Affiliates, the Company and/or its Affiliates would experience serious harm and the competitor would have a unique advantage against the Company and/or its Affiliates.

(ii) Grantee agrees that Grantee shall not, directly or indirectly, use any Confidential Information on Grantee's own behalf or on behalf of any person or entity other than the Company and/or its Affiliates, or reveal, divulge, or disclose any Confidential Information to any person or entity not expressly authorized by the Company and/or its Affiliates to receive such Confidential Information. This obligation shall remain in effect for as long as the information or materials in question retain their status as Confidential Information. Grantee further agrees that Grantee shall fully cooperate with the Company and/or its Affiliates in maintaining the Confidential Information to the extent permitted by law. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either the Company's and/or its Affiliates' rights or Grantee's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, Grantee shall not be restricted from: (A) disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; *provided, however*, that in the event such disclosure is required by law, Grantee shall provide the Company with prompt notice of such requirement so that the Company and/or its Affiliates may seek an appropriate protective order prior to any such required disclosure by Grantee; (B) reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, or from making other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation, and Grantee shall not need the prior authorization of the Company and/or its Affiliates to make any such reports or disclosures and shall not be required to notify the Company and/or its Affiliates that Grantee has made such reports or disclosures; (C) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, in either event solely for the purpose of reporting or investigating a suspected violation of law; or (D) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(iii) "Confidential Information" means any and all data and information relating to Company Business, its activities, business or customers that (A) is disclosed to Grantee or of which Grantee becomes aware as a consequence of Grantee's employment with the Company and/or its Affiliates; (B) has value to the Company and/or its Affiliates; and (C) is not generally known outside of the Company and/or its Affiliates. Confidential Information shall include, but is not limited to the following types of information regarding, related to, or concerning the Company and/or its Affiliates: trade secrets (as defined by applicable law); financial plans and data; management planning information; business plans; operational methods; market studies; marketing plans or strategies; pricing information; product development techniques or plans; listings of customers, buying agents, vendors and manufacturers; customer, buying agent, vendor and manufacturer files, data and financial information; details of customer, buying agent, vendor and manufacturer contracts; current and anticipated customer, buying agent, vendor and manufacturer requirements; identifying and other information pertaining to business referral sources; past, current and planned research and development; computer aided systems, software, strategies and programs; business acquisition plans; management organization and related information (including, without limitation, data and other information concerning the compensation and benefits paid to officers, directors, employees and management); personnel and compensation policies; new personnel acquisition plans; and other similar information. Confidential Information also includes combinations of information or materials which individually may be generally known outside of the Company and/or its Affiliates, but for which the nature, method, or procedure for combining such information or materials is not generally known outside of the Company and/or its Affiliates. In addition to data and information relating to the Company and/or its Affiliates, Confidential Information also includes any and all data and information relating to or concerning a third party that otherwise meets the definition set forth above, that was provided or made available to the Company and/or its Affiliates by such third party, and that the Company and/or its Affiliates has a duty or obligation to keep confidential. This definition shall not limit any definition of confidential information or any equivalent term under state or federal law. Confidential Information shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of the Company and/or its Affiliates.

(iv) Grantee agrees that Grantee will not retain or destroy (except as set forth below), and will immediately return to the Company on or prior to the date that Grantee's employment with the Company and/or its Affiliates shall terminate for any reason (the "Date of Termination"), or at any other time the Company requests such return, any and all property of the Company and/or its Affiliates that is in Grantee's possession or subject to Grantee's control, including, but not limited to, customer, buying agent, vendor and manufacturer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, keys, access cards, credit cards, identification cards, equipment, computers, mobile devices, other electronic media, all other files and documents relating to the Company and/or its Affiliates and its business (regardless of form, but specifically including all electronic files and data of the Company and/or its Affiliates), together with all Confidential Information belonging to the Company and/or its Affiliates or that Grantee received from or through Grantee's employment with the Company and/or its Affiliates. Grantee will not make, distribute, or retain copies of any such information or property. To the extent that Grantee has electronic files or information in Grantee's possession or control that belong to the Company or its Affiliates or contain Confidential Information (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to the Date of Termination, or at any other time the Company and/or its Affiliates requests, Grantee shall (A) provide the Company with an electronic copy of all of such files or information (in an electronic format that is readily accessible by the Company); (B) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-Company and/or non-Affiliate owned computers, mobile devices, electronic media, cloud storage, and other media, devices, and equipment, so that such files and information are permanently deleted and irretrievable; and (C) upon written request by the Company on or following the termination of Grantee's employment, provide a written certification to the Company that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted.

(b) Non-Solicitation of Employees and Independent Contractors. During Grantee's employment with the Company and/or its Affiliates and for twelve (12) months following the Date of Termination, Grantee will not, directly or indirectly, whether on Grantee's own behalf or as a principal or representative of any other person or entity, recruit, solicit, or induce or attempt to recruit, solicit or induce any employee or independent contractor of the Company and/or its Affiliates with whom Grantee had any contact whatsoever during Grantee's employment to terminate his or her employment or other relationship with the Company and/or its Affiliates or to enter into employment or any other kind of business relationship with Grantee or any other person or entity.

(c) Non-Competition. In return for the Company's and its Affiliates' promise to provide Grantee with access to and use of its Confidential Information (as described in Section 6(a)(i)-(iii) above), during Grantee's employment with the Company and/or its Affiliates and for twelve (12) months following the Date of Termination, Grantee will not, within the Restricted Area, directly or indirectly, engage, either as a principal, employee, partner, consultant, officer, director or investor (other than a less-than-1% stock interest in a corporation), in a business which is a competitor of the Company, in the same or similar type capacity as Grantee was employed by the Company. For purposes of this subsection 6(c), a business shall be deemed a "competitor" of the Company if it engages in the commerce of a Home Fashions or Furniture Business or is a Home Décor Division of a Business, whether through stores (retail or wholesale), on-line e-commerce or any combination thereof.

(i) The term "Restricted Area" shall mean the United States unless, during the last two (2) years of Grantee's employment, Grantee's employment responsibilities include a different geographic territory and Grantee's access to Confidential Information is restricted to such different geographic territory, in which case the term "Restricted Area" shall mean such different geographic territory.

(ii) The term "Home Fashions or Furniture Business" shall mean a business (however organized or conducted, including any on-line e-commerce operations) that primarily engages in the sale, marketing, distribution, manufacturing or design of merchandise consisting of furniture, decorative accessories, housewares, bed and bath, and seasonal goods, or any other category of merchandise sold by the Company and/or its Affiliates during the Grantee's employment. By way of illustration, a "Home Fashions or Furniture Business" shall include such businesses as the Company, Restoration Hardware, Inc., Kirkland's, Inc., Williams-Sonoma, Inc., Pottery Barn, Inc., Tuesday Morning Corporation, and Bed, Bath & Beyond, Inc. and stores under the names "World Market," "Cost Plus," "Cost Plus World Market," "Crate & Barrel," "Home Goods," "Home Sense," "IKEA," "Wayfair," "Hayneedle," and "At Home."

(iii) The term "Home Décor Division of a Business" shall mean a category, division, branch, or unit of a business (however organized or conducted, including any on-line e-commerce operations, specialty

retailer, big box retailer or department store) that engages in the sale, marketing, distribution, manufacturing or design of furniture, decorative accessories, housewares, bed and bath, and seasonal goods, or any other category of merchandise sold by the Company and/or its Affiliates during the Grantee's employment. By way of illustration, a "Home Décor Division of a Business" shall include the home furnishings, home décor or other similar home-related category, division, branch, or unit of The TJX Companies, Inc., Ross Stores, Inc., J.C. Penney Company, Inc., Target Corporation, The Michaels Companies, Inc., The Container Store Group, Inc., Amazon.com, Inc., and Neiman Marcus Group LTD LLC.

(iv) The Company may from time to time prior to any Date of Termination, by written notice to the Grantee, for purposes of clarification, add to the list of illustrative examples of a Home Fashions or Furniture Business or a Home Décor Division of a Business set forth in this subsection 6(c) the names of other companies or businesses meeting the definitions of such terms.

(d) Enforcement of Protective Covenants.

(i) The parties specifically acknowledge and agree that the remedy at law for any breach of the restrictions in Section 6 of this Agreement (the "Protective Covenants") will be inadequate, and that in the event Grantee breaches, or threatens to breach, any of the Protective Covenants, the Company and/or its Affiliates shall have the right and remedy, without the necessity of proving actual damage or posting any bond, to enjoin, preliminarily and permanently, Grantee from violating or threatening to violate the Protective Covenants and to have the Protective Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Protective Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Grantee understands and agrees that if Grantee violates any of the obligations set forth in the Protective Covenants, the period of restriction applicable to each obligation violated shall cease to run during the pendency of any litigation over such violation, provided that such litigation was initiated during the period of effectiveness of the Protective Covenants. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity. The Company's ability to enforce its rights under the Protective Covenants or applicable law against Grantee shall not be impaired in any way by the existence of a claim or cause of action on the part of Grantee based on, or arising out of, this Agreement or any other event or transaction.

(ii) Grantee acknowledges and agrees that each of the Protective Covenants is reasonable and valid in time and scope and in all other respects and is no greater than necessary to protect the Company Business. The parties agree that it is their intention that the Protective Covenants be enforced in accordance with their terms to the maximum extent permitted by law. Each of the Protective Covenants shall be considered and construed as a separate and independent covenant. Should any part or provision of any of the Protective Covenants be held invalid, void, or unenforceable, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Agreement or such Protective Covenant. If any of the provisions of the Protective Covenants should ever be held by a court of competent jurisdiction to exceed the scope permitted by the applicable law, such provision or provisions shall be automatically modified to such lesser scope as such court may deem just and proper for the reasonable protection of the Company Business, and may be enforced by the Company to that extent in the manner described above and all other provisions of this Agreement shall be valid and enforceable.

(e) Termination Without Cause or for Good Reason. Notwithstanding the foregoing, if Grantee's employment with the Company or an Affiliate is involuntarily terminated without Cause or Grantee voluntarily terminates Grantee's employment for Good Reason, Grantee shall not be subject to the restrictions on non-competition set forth in Section 6(c) of this Agreement; *provided, however*, that Grantee is not in breach of any other terms and conditions of this Agreement. The restrictions related to non-disclosure of confidential information and return of property in Section 6(a) and non-solicitation contained in Section 6(b) shall remain in full force and effect regardless of the manner of termination of Grantee's employment.

7. Disclosure of Agreement. Grantee acknowledges and agrees that, during the twelve (12) months following the Date of Termination, Grantee will disclose the existence and terms of this Agreement to any prospective employer, business partner, investor or lender prior to entering into an employment, partnership or other business relationship with such prospective employer, business partner, investor or lender. Grantee further agrees that the Company and/or any of its Affiliates shall have the right to make any such prospective employer, business partner, investor or lender of Grantee aware of the existence and terms of this Agreement.

8. Tax Withholding. The obligation of the Company to deliver any certificate or book-entry uncertificated shares to the Grantee pursuant to Section 5 hereof shall be subject to the receipt by the Company from the Grantee of any minimum withholding taxes required as a result of the grant of the Award or lapsing of restrictions thereon. The withholding requirement may be satisfied, in whole or in part, at the Grantee's election, by the Company withholding from the Award shares of Common Stock having a Fair Market Value on the date of withholding equal to the amount required to be withheld for tax purposes under applicable law. Any balance of the proceeds of such a sale remaining after the payment of such taxes shall be paid over to Grantee. In making any such sale, the Company shall be deemed to be acting on behalf and for the account of Grantee.

9. Securities Laws Requirements. The Company shall not be required to issue shares pursuant to this Award unless and until (a) such shares have been duly listed upon each stock exchange on which the Company's Common Stock is then listed; and (b) the Company has complied with applicable federal and state securities laws. The Committee may require the Grantee to furnish to the Company, prior to the issuance of any shares of Common Stock in connection with this Award, an agreement, in such form as the Committee may from time to time deem appropriate, in which the Grantee represents that the shares acquired by Grantee under this Award are being acquired for investment and not with a view to the sale or distribution thereof.

10. Incorporation of 2015 Plan and Agreement to Terms; Definitions. This Award is granted as an employment inducement award under New York Stock Exchange Listing Rule 303A.08, and not under any Company stockholder-approved stock incentive plan. Notwithstanding the forgoing, this Award shall be subject to the terms and conditions of the 2015 Plan (as defined above) as if this Award had been granted under the 2015 Plan, and the terms and conditions of the 2015 Plan are hereby incorporated into this Agreement to the extent such terms are not inconsistent with those herein. Capitalized terms not otherwise defined herein shall have the same meanings set forth for such terms in the 2015 Plan. By accepting this Award, Grantee shall be deemed to have agreed to the terms and conditions of this Award and the 2015 Plan.

For purposes of this Award, the term "Cause" means a good faith determination by the Board of Directors of the Company (after providing the Grantee with reasonable notice and an reasonable opportunity to be heard in person on the matter) that any of the following has occurred: (i) the Grantee's material or habitual failure to follow the reasonable and lawful directions of any superior officer of the Company, provided the direction(s) is not materially inconsistent with the duties or responsibilities of the Grantee's position, or a material or habitual failure to perform Grantee's duties with the Company (other than any such failure resulting from the Grantee's Disability (as defined under the Company's long-term disability plan)) which failure is not cured within ten (10) days after a written demand for performance is delivered to the Grantee by the Company which specifically identifies the manner in which the Company believes that the Grantee has materially or habitually failed to perform the Grantee's duties; (ii) the Grantee's indictment for, conviction of, or entry of a plea of guilty or nolo contendere or no contest with respect to: (a) any felony, or any misdemeanor involving dishonesty or moral turpitude (including pleading guilty or nolo contendere to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of the Company, or (b) any crime connected with the business of the Company; (iii) the Grantee's engaging in any gross negligence or gross misconduct in connection with the performance of Grantee's duties hereunder, which is, or is likely to be, materially injurious to the Company, its financial condition, or its reputation; (iv) the Grantee's commission of or engagement in any act of fraud, misappropriation, material dishonesty, or embezzlement, whether or not such act was committed in connection with the business of the Company; (v) the Grantee's breach of fiduciary duty, breach of any of the covenants set forth in Sections 6(b) or 6(c) of this Agreement, or material breach of any other provisions of this Agreement; or (vi) the Grantee's violation of the Company's policy against harassment or its equal employment opportunity policy, a material violation of the Company's code of business conduct, or any other policy or procedure of the Company.

For purposes of this Award, the term “Good Reason” mean, without Grantee’s written consent, (i) a reduction of more than ten percent (10%) in the sum of Grantee’s annual base salary and target annual incentive award as a percentage of base salary from those in effect as of the date of this Agreement; (ii) a material diminution in Grantee’s authority, duties or responsibilities; (iii) Grantee’s mandatory relocation to an office more than fifty (50) miles from the primary location at which Grantee is required to perform Grantee’s duties as of the date of this Agreement; or (iv) any other action or inaction that constitutes a material breach by the Company of the terms of the Executive Agreement between the Company and Grantee dated January 23, 2019 (the “Executive Agreement”) or the offer letter between the Company and Grantee dated January 23, 2019 (the “Offer Letter”), including failure of a successor company to assume or fulfill the obligations under the Executive Agreement or the Offer Letter. In each case, Grantee must provide the Company with written notice of the facts giving rise to a claim that “Good Reason” exists for purposes of this Agreement, within sixty (60) days of the initial existence of such Good Reason event, and the Company shall have the right to remedy such event within sixty (60) days after receipt of Grantee’s written notice (“the sixty (60) day period”). If the Company remedies the Good Reason event within the sixty (60) day period, the Good Reason event (and Grantee’s right to receive any benefit under this Agreement on account of termination of employment for Good Reason) shall cease to exist. If the Company does not remedy the Good Reason event within the sixty (60) day period, and Grantee does not incur a termination of employment within thirty (30) days following the earlier of: (y) the date the Company notifies Grantee that it does not intend to remedy the Good Reason or does not agree that there has been a Good Reason event, or (z) the expiration of the sixty (60) day period, the Good Reason event (and Grantee’s right to receive any benefit under this Agreement on account of termination of employment for Good Reason) shall cease to exist. Notwithstanding the foregoing, if Grantee fails to provide written notice to the Company of the facts giving rise to a claim of Good Reason within thirty (30) days of the initial existence of such Good Reason event, the Good Reason event (and Grantee’s right to receive any benefit under this Agreement on account of termination of employment for Good Reason) shall cease to exist as of the sixty-first (61st) day following the later of its occurrence or Grantee’s knowledge thereof

11. Miscellaneous. This Agreement (a) shall be binding upon and inure to the benefit of any successor of the Company, (b) shall be governed by the laws of the State of Texas, and any applicable laws of the United States, and (c) may not be amended without the written consent of both the Company and the Grantee. No contract or right of employment shall be implied by this Agreement, nor shall this Agreement interfere with or restrict in any way the rights of the Grantee’s employer to discharge the Grantee at any time for any reason whatsoever, with or without cause. The terms and provisions of this Agreement shall constitute an instruction by the Grantee with respect to any uncertificated restricted shares of Common Stock covered by this Award.

This Award along with all other Awards received by the Grantee (including any proceeds, gains or other economic benefit actually or constructively received by the Grantee upon any receipt or exercise of any Award) shall be subject to the provisions of the Company’s claw-back policy as set forth in Section 10 of the Company’s Code of Business Conduct and Ethics (as amended from time to time) including any amendments of such claw-back policy adopted to comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder.

EXECUTION PAGE OF RESTRICTED STOCK AWARD AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

COMPANY:
Pier 1 Imports, Inc.

GRANTEE:
Robert E. Bostrom

By: /s/ Cheryl A. Bachelder
Name: Cheryl A. Bachelder
Title: Interim Chief Executive Officer

/s/ Robert E. Bostrom



Sign-On Bonus Repayment Agreement

By signing this Sign-On Bonus Repayment Agreement ("Agreement") below I, Robert E. Bostrom, acknowledge that, as part of my employment offer with Pier 1 Services Company, its parent, or any of its subsidiaries or affiliates (collectively "Pier 1 Imports"), I am being offered a lump sum signing bonus of \$375,000, less applicable taxes and other required withholdings (the "Bonus"), under the following terms and conditions.

In consideration of Pier 1 Imports' payment of the Bonus, I hereby agree as follows:

If, within twelve (12) months of my start date, my employment with Pier 1 Imports is terminated by Pier 1 Imports for "Cause" or by me without "Good Reason" (as such terms are defined in the Executive Agreement between myself and Pier 1 Imports, Inc. dated January 23 2019), I agree that within ten (10) business days of the separation of my employment from Pier 1 Imports, I will repay the Bonus on a pro-rated basis. The pro-rated repayment amount will be the amount of the Bonus less one twelfth (1/12) of the Bonus multiplied by the number of full months that have elapsed since my start date. For example, if my employment with Pier 1 Imports is terminated by Pier 1 Imports for Cause or by me without Good Reason six months after my start date, I would reimburse Pier 1 Imports for fifty percent (50%) of the Bonus. I further agree that I will make the repayment to Pier 1 Imports in the form of a check or money order made payable to Pier 1 Services Company.

In the event I am obligated to repay or reimburse Pier 1 Imports for any portion of the Bonus as provided in this Agreement, I authorize Pier 1 Imports to deduct any portion of the Bonus which I am obligated to repay or reimburse from any wages due and owing to me including, but not limited to, my final paycheck. I understand and agree that, if such monies are not sufficient to repay the full amount I owe, I will still remain obligated to reimburse or pay the balance to Pier 1 Imports.

Nothing in this Agreement will be construed as a commitment, guarantee, agreement, or understanding of any kind or nature that Pier 1 Imports will continue to employ me, nor will this Agreement affect in any way the right of Pier 1 Imports or me to terminate my employment at any time and for any reason, with or without Cause. I acknowledge and agree that I am an "at will" employee.

This Agreement was negotiated and entered into, at least in part, in the state of Texas and shall be construed under the laws of the state of Texas without regard to conflicts or choice of law and venue shall be brought exclusively in Tarrant County, Texas.

This Agreement is entered into and is effective as of the date indicated below.

Executive:

Pier 1 Services Company,
By: Pier 1 Holdings, Inc.,
its managing trustee

/s/ Robert E. Bostrom
Robert E. Bostrom

/s/ Christine Murray
Christine Murray
Senior V.P. – Human Resources and
Chief Human Resources Officer

Date: 1-23-19

Date: 1-24-19

Executive Relocation Repayment Agreement

By signing this Executive Relocation Repayment Agreement ("Agreement") below, Robert E. Bostrom ("Executive"), acknowledges that in order to ease the transition of any transfer or relocation required by Executive's actual or anticipated employment with Pier 1 Services Company, its parent, or any of its subsidiaries or affiliates (collectively "Pier 1 Imports"), Pier 1 Imports, under the following terms and conditions, has agreed to pay Executive the sum of \$100,000, less applicable taxes and other required withholdings, payable upon hire (the "Relocation Payment"). In consideration of Pier 1 Imports' payment of the Relocation Payment, Executive hereby agrees as follows:

If, within twelve (12) months of Executive's start date, Executive's employment with Pier 1 Imports is terminated by Pier 1 Imports for "Cause" or by Executive without "Good Reason" (as such terms are defined in the Executive Agreement between Executive and Pier 1 Imports, Inc. dated January 23, 2019), then Executive agrees that within ten (10) business days of the separation of his employment from Pier 1 Imports, Executive will repay the Relocation Payment on a pro-rated basis. The pro-rated repayment amount will be the amount of the Relocation Payment less one twelfth (1/12) of the Relocation Payment multiplied by the number of full months that have elapsed since the Executive's start date. For example, if Executive's employment with Pier 1 Imports is terminated by Pier 1 Imports for Cause or by Executive without Good Reason six months after his start date, Executive would reimburse Pier 1 Imports for fifty percent (50%) of the Relocation Payment. Executive further agrees that he will make his repayment to Pier 1 Imports in the form of a check or money order made payable to Pier 1 Services Company.

In the event Executive is obligated to repay or reimburse Pier 1 Imports for any portion of the Relocation Payment as provided in this Agreement, Executive authorizes Pier 1 Imports to deduct any portion of the Relocation Payment which he is obligated to repay or reimburse from any wages due and owing to him, including, but not limited to, his final paycheck. Executive understands and agrees that, if such monies are not sufficient to repay the full amount he owes, Executive will remain obligated to reimburse or pay the balance to Pier 1 Imports.

Nothing in this Agreement will be construed as a commitment, guarantee, agreement, or understanding of any kind or nature that Pier 1 Imports will continue to employ Executive, nor will this Agreement affect in any way the right of Pier 1 Imports or Executive to terminate Executive's employment at any time and for any reason, with or without Cause. Executive acknowledges and agrees that he is an "at will" employee.

This Agreement was negotiated and entered into, at least in part, in the state of Texas and will be construed under the laws of the state of Texas without regard to conflicts or choice of law and venue will be brought exclusively in Tarrant County, Texas.

This Agreement is entered into and effective as of the date indicated below.

Executive:

Pier 1 Services Company,
By: Pier 1 Holdings, Inc.,
its managing trustee

/s/ Robert E. Bostrom

Robert E. Bostrom

/s/ Christine C. Murray

Christine C. Murray,
Senior V.P. – Human Resources and Chief
Human Resources Officer

1-23-19

Date:

1-24-19

Date:

SUBSIDIARIES OF THE COMPANY AS OF MARCH 2, 2019

Pier 1 Assets, Inc., a Delaware corporation

 Pier 1 Licensing, Inc., a Delaware corporation

 Pier 1 Imports (U.S.), Inc., a Delaware corporation

 Pier 1 Value Services, LLC, a Virginia limited liability company

 PIR Trading, Inc., a Delaware corporation

 Pier 1 Holdings, Inc., a Delaware corporation

 Pier 1 Services Company, a Delaware statutory trust

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-135241) pertaining to the Pier 1 Imports, Inc. 2006 Stock Incentive Plan,
- (2) Registration Statement (Form S-8 No. 333-167961) pertaining to the Pier 1 Imports, Inc. Stock Purchase Plan,
- (3) Registration Statement (Form S-8 No. 333-205652) pertaining to the Pier 1 Imports, Inc. 2015 Stock Incentive Plan,
- (4) Registration Statement (Form S-8 No. 333-219397) pertaining to the Pier 1 Imports, Inc. 2015 Stock Incentive Plan, and
- (5) Registration Statement (Form S-8 No. 333-229328) pertaining to the Pier 1 Imports, Inc. Restricted Stock Granted as Employment Inducement Awards Outside of a Plan,

of our reports dated April 29, 2019, with respect to the consolidated financial statements of Pier 1 Imports, Inc. and the effectiveness of internal control over financial reporting of Pier 1 Imports, Inc. included in this Annual Report (Form 10-K) for the year ended March 2, 2019.

/s/ Ernst & Young LLP

Fort Worth, Texas
April 29, 2019

Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)

I, Cheryl A. Bachelder, certify that:

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

Date: April 29, 2019

By: /s/ Cheryl A. Bachelder
 Cheryl A. Bachelder
 Interim Chief Executive Officer

Certification of the Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)

I, Darla D. Ramirez, certify that:

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

Date: April 29, 2019

By: /s/ Darla D. Ramirez

Darla D. Ramirez, Principal Accounting Officer
and Interim Principal Financial Officer

Certification of Chief Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Each of the undersigned officers of Pier 1 Imports, Inc., hereby certifies that:

1. The annual report of Pier 1 Imports, Inc. for the period ended March 2, 2019 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the above-mentioned report fairly presents, in all material respects, the financial condition and results of operations of Pier 1 Imports, Inc. for the period covered by the report.

Date: April 29, 2019 By: /s/ Cheryl A. Bachelder
Cheryl A. Bachelder
Interim Chief Executive Officer

Date: April 29, 2019 By: /s/ Darla D. Ramirez
Darla D. Ramirez, Principal Accounting Officer
and Interim Principal Financial Officer

A signed original of this written statement has been provided to Pier 1 Imports, Inc. and will be retained by Pier 1 Imports, Inc. and furnished to the Securities and Exchange Commission, or its staff, upon request.

Pier 1 Imports, Inc.
Stock Purchase Plan
As of December 31, 2018 and 2017 and
for the three years ended December 31, 2018

CONTENTS

Report of Independent Registered Public Accounting Firm	2
Statements of Financial Condition	3
Statements of Income (Loss) and Changes in Plan Equity	4
Notes to Financial Statements	5
Consent of Independent Registered Public Accounting Firm	8

Report of Independent Registered Public Accounting Firm

To the Plan Participants, Plan Administrator of Pier 1 Imports, Inc. Stock Purchase Plan and the Audit Committee of the Board of Directors of Pier 1 Imports, Inc.

Opinion on the Financial Statements

We have audited the accompanying statements of financial condition of the Pier 1 Imports, Inc. Stock Purchase Plan ("Plan") as of December 31, 2018 and 2017, and the related statements of income (loss) and changes in plan equity for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial condition of the Plan at December 31, 2018 and 2017, and the income (loss) and changes in plan equity for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Plan's auditor since 2009

Fort Worth, Texas
April 29, 2019

**Pier 1 Imports, Inc.
Stock Purchase Plan**

STATEMENTS OF FINANCIAL CONDITION

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
ASSETS		
Pier 1 Imports' common stock, at fair value (cost of \$4,056,378, \$4,258,207, respectively)	\$ 365,326	\$ 3,361,264
Receivables:		
Participants' contributions	83,706	144,194
Company contributions	<u>20,927</u>	<u>36,049</u>
Total receivables	<u>104,633</u>	<u>180,243</u>
Total assets	<u><u>\$ 469,959</u></u>	<u><u>\$ 3,541,507</u></u>
LIABILITIES AND PLAN EQUITY		
Participant withdrawals payable	\$ 9,017	\$ 103,331
Plan equity	<u>460,942</u>	<u>3,438,176</u>
Total liabilities and plan equity	<u><u>\$ 469,959</u></u>	<u><u>\$ 3,541,507</u></u>

See accompanying notes to financial statements.

**Pier 1 Imports, Inc.
Stock Purchase Plan**

STATEMENTS OF INCOME (LOSS) AND CHANGES IN PLAN EQUITY

	For the Year Ended December 31,		
	2018	2017	2016
Contributions:			
Participants	\$ 1,280,084	\$ 1,578,130	\$ 1,558,505
Company	320,058	394,556	389,642
Total contributions	1,600,142	1,972,686	1,948,147
Dividends	58,618	180,533	121,706
Participant withdrawals	(707,330)	(1,019,421)	(950,864)
Investment gain (loss):			
Net unrealized appreciation (depreciation) in fair value of Pier 1 Imports' common stock	(2,794,109)	(2,088,746)	3,434,135
Net realized loss on distribution of Pier 1 Imports' common stock	(1,134,555)	(674,494)	(1,288,570)
Net change in plan equity	(2,977,234)	(1,629,442)	3,264,554
Plan equity:			
Beginning of year	3,438,176	5,067,618	1,803,064
End of year	<u>\$ 460,942</u>	<u>\$ 3,438,176</u>	<u>\$ 5,067,618</u>

See accompanying notes to financial statements.

**Pier 1 Imports, Inc.
Stock Purchase Plan**

NOTES TO FINANCIAL STATEMENTS

PLAN DESCRIPTION

General

The following description of the Pier 1 Imports, Inc. Stock Purchase Plan (“Plan”) adopted by Pier 1 Imports, Inc. (“Company”) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan’s provisions.

The Company established the Plan to provide all eligible employees and non-employee directors an opportunity to acquire an ownership interest in the Company and, as a result, align participants’ interests with the Company’s shareholders. The Plan provides a voluntary method of acquiring shares of Pier 1 Imports’ common stock in convenient installments by payroll and other compensation deductions, supplemented by matching contributions from the Company.

The Plan has been in effect since 1980. The Company, assisted by the Administrative Committee, administers the Plan. The Administrative Committee is the Compensation Committee of the Company’s Board of Directors. The Company’s Board of Directors approved an amendment of the Plan on March 26, 2010, which was subsequently approved by the shareholders on June 29, 2010, authorizing, among other things, adding an additional 3,500,000 shares to the Plan and extending the term of the Plan for five years. The Plan amendment was applied prospectively. On December 1, 2013, the Plan was restated as amended. This amendment did not add additional shares or extend the term of the Plan. On April 3, 2014, the Company’s Board of Directors approved an amendment of the Plan, which was approved by the Company’s shareholders on June 20, 2014, extending the term of the Plan for ten years (through June 20, 2024). The number of shares available under the Plan was not increased.

The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, (“ERISA”) and is not qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended.

Eligibility

All employees who have attained the age of majority in their state or province of residence and have completed 60 days of continuous employment with the Company, or one of the designated subsidiaries that has adopted the Plan, are eligible to participate in the Plan. Non-employee members of the Board of Directors of the Company are also eligible to participate in the Plan.

Contributions

A participant must specify the amount to be withheld through payroll deductions, with a minimum of \$2.50 per week and a maximum of 20% of compensation. The Plan also provides that non-employee directors may contribute to the Plan all or a portion of cash director fees earned. Subject to the Plan’s limitations, compensation deductions may be increased or decreased at any time by the participant. The Company contributes to the Plan for each participant an amount equal to 25% of such participant’s compensation deduction.

Participant Accounts

The Company maintains a Plan account in the name of each participant. Funds deducted monthly from each participant’s pay as elected and authorized by the participant are credited to each participant’s Plan account plus the Company’s contribution on the participant’s behalf as described above. The Plan allows the Company to administer the Plan and to use the contributed funds to purchase shares of Pier 1 Imports’ common stock either on the open market through a broker designated by the Administrative Committee, or directly from the Company. No open market purchases may be made at a price which is greater than the fair market value for Pier 1 Imports’ common stock on the date of purchase. Purchases of shares from the Company’s treasury are made at the New York Stock Exchange (“NYSE”) closing price for Pier 1 Imports Inc.’s common stock on the last trading day of each calendar month. Shares purchased are allocated to the accounts of participants in proportion to the funds received for each respective account.

Each participant acquires full ownership of all shares and fractional shares allocated to his or her account. All shares are registered in the name of the Plan and remain registered in the Plan’s name until delivery of the shares to the participant pursuant to the Plan.

All shares in a participant's account will initially be classified under the Plan as "unreleased" and may not be sold, assigned, pledged or otherwise disposed until "released" which occurs at least once each calendar year. Once shares are "released", such shares may be sold or transferred by the participant at any time. Further, upon any participant's death or termination of employment or cessation of services as a Director, as applicable, the participant automatically withdraws from the Plan and all shares in the participant's account at such time will be delivered.

A participant's Plan account is credited with all dividends, if any, paid on full and fractional shares held in his or her Plan account. All cash dividends are reinvested under the Plan in Pier 1 Imports' common stock. Dividends totaled \$58,618, \$180,533 and \$121,706 in 2018, 2017 and 2016, respectively.

Vesting

Participants immediately vest in all contributions to their Plan accounts. Except for the limitations described above on "unreleased" shares, participants have full rights of ownership of Pier 1 Imports' common stock held in their Plan accounts, including voting and dividend rights.

Amendment or Termination of the Plan

The Company's Board of Directors may amend, suspend or terminate the Plan at any time. An amendment, suspension or termination will not result in the forfeiture of any funds contributed by a participant or the Company, or of any shares or fractional shares purchased for a participant, or any dividends or other distributions with respect to such shares, that were effective before the effective date of the amendment, suspension or termination. Certain material amendments to the Plan must be submitted to the Company's shareholders for approval.

Administration and Expenses

The Company manages the Plan's assets. The Company pays all administrative expenses related to the purchase, custody and record keeping of Pier 1 Imports' common stock held as part of the Plan. These expenses may include brokers' commissions, transfer fees, administrative costs and other similar expenses. Expenses related to the disposition or transfer of shares after they have been "released" to the participant from his or her Plan account, are borne by the participant.

Income Tax Status

Participants' contributions are deducted from after-tax earnings and the Company's contributions are treated as "earned income" to the participant in the period accrued, consequently, management believes that the Plan is not subject to income tax under the Internal Revenue Code.

The Plan is not a separate legal entity and, therefore, is not subject to audits by any taxing jurisdictions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are presented on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles ("GAAP").

Estimates

The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Concentration of Investment – Risks and Uncertainties

All contributions to the Plan are invested in Pier 1 Imports' common stock. Accordingly, the underlying value of the Plan assets is dependent upon the performance of the Company and the market's evaluation of such performance. Changes in the fair value of Pier 1 Imports' common stock could materially affect a participant's account balance and the amounts reported in the Statements of Financial Condition and the Statements of Income (Loss) and Changes in Plan Equity.

Contributions

Participant and Company contributions are accrued in the period in which participants' contributions are deducted from their pay/fees.

Pier 1 Imports' Common Stock Valuation

Pier 1 Imports' common stock held by the Plan in participants' accounts is stated at fair value using closing prices as quoted by the NYSE. The cost of participant shares distributed or withdrawn is assessed on a first-in-first-out basis to compute gains and losses. Purchases of shares from the Company's treasury are made at the NYSE closing price for Pier 1 Imports' common stock on the last trading day of each calendar month.

Fair Value Measurements

All investments held by the Plan are valued using Level 1 Inputs, which as defined by Accounting Standards Codification 820, *Fair Value Measurement*, are unadjusted quoted prices in active markets for identical assets or liabilities.

Investment Gain (Loss)

In the Statements of Income (Loss) and Changes in Plan Equity, the investment gain (loss) in the fair value of Pier 1 Imports' common stock is presented, which consists of realized losses calculated as the difference between cost and the fair value of the Company's common stock on the date of delivery of the shares to the participant, and the net unrealized appreciation (depreciation) on those investments not yet distributed or transferred to Plan participants. Additionally, net unrealized appreciation (depreciation) includes reclassifications from unrealized appreciation (depreciation) recorded in previous fiscal periods to realized gains (losses) when applicable. In 2018, 2017 and 2016, such reclassification amounts were \$0.4 million, \$0.2 million and \$1.4 million, respectively.

Withdrawals

Participant withdrawals of Pier 1 Imports' common stock are recorded at fair value on the date of withdrawal. Participant withdrawals payable is recorded at fair value of the NYSE closing price for Pier 1 Imports Inc.' common stock on the last trading day of December for each respective year.

Investments in Pier 1 Imports' Common Stock

The following is a summary of the Pier 1 Imports' common stock activity for the years ended December 31, 2018, 2017 and 2016.

	Shares	Cost	Fair Value
Balances at December 31, 2015	322,066	\$ 3,881,645	\$ 1,639,314
Purchases	412,027	2,084,946	2,084,946
Withdrawals	(142,487)	(2,106,079)	(817,509)
Changes in fair value:			
Net unrealized gain	-	-	3,434,135
Net realized loss	-	-	(1,288,570)
Balances at December 31, 2016	591,606	\$ 3,860,512	\$ 5,052,316
Purchases	395,658	2,145,011	2,145,011
Withdrawals	(175,365)	(1,747,316)	(1,072,823)
Changes in fair value:			
Net unrealized loss	-	-	(2,088,746)
Net realized loss	-	-	(674,494)
Balances at December 31, 2017	811,899	\$ 4,258,207	\$ 3,361,264
Purchases	748,831	1,734,370	1,734,370
Withdrawals	(382,259)	(1,936,199)	(801,644)
Changes in fair value:			
Net unrealized loss	-	-	(2,794,109)
Net realized loss	-	-	(1,134,555)
Balances at December 31, 2018	1,178,471	\$ 4,056,378	\$ 365,326

Available Common Stock

The Company had 1,870,680 and 2,619,509 shares of registered common stock issuable under the Plan as of December 31, 2018 and 2017, respectively. The NYSE closing price of Pier 1 Imports' common stock was \$0.31 and \$4.14 as of December 31, 2018 and 2017, respectively. The total number of shares held by the Plan on December 31, 2018 and 2017 was 1,178,471 and 811,899, respectively.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-167961) pertaining to the Pier 1 Imports, Inc. Stock Purchase Plan of our report dated April 29, 2019, with respect to the financial statements of the Pier 1 Imports, Inc. Stock Purchase Plan for the year ended December 31, 2018 included as Exhibit 99.1 in the fiscal 2019 Annual Report (Form 10-K) of Pier 1 Imports, Inc.

/s/ Ernst & Young LLP

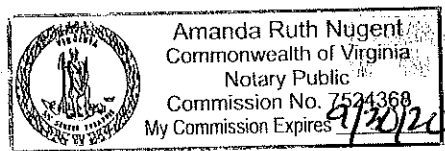
Fort Worth, Texas
April 29, 2019

TAB D

**This is Exhibit "D" to the Affidavit of Robert J.
Riesbeck sworn before me this 18th day of February
2020**

Amanda Ruth Nugent

Notary Public in and for the State of Virginia



Amanda Ruth Nugent
Commonwealth of Virginia
Notary Public

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 30, 2019

OR

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

For the transition period from _____ to _____

Commission File Number: 001-07832

PIER 1 IMPORTS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

**100 Pier 1 Place
Fort Worth, Texas**
(Address of principal executive offices)

75-1729843
(I.R.S. Employer
Identification No.)

76102
(Zip Code)

Registrant's telephone number, including area code: (817) 252-8000

Former name, former address and former fiscal year, if changed since last report: Not Applicable

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	PIR	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of January 2, 2020, the registrant had 4,257,902 shares of common stock, \$0.001 par value per share, outstanding.

INDEX TO QUARTERLY FORM 10-Q

	PAGE
<u>PART I. FINANCIAL INFORMATION</u>	4
Item 1. <u>Financial Statements.</u>	4
<u>Consolidated Statements of Operations for the 13 and 39 Weeks Ended November 30, 2019 and December 1, 2018.</u>	4
<u>Consolidated Statements of Comprehensive Loss for the 13 and 39 Weeks Ended November 30, 2019 and December 1, 2018</u>	5
<u>Consolidated Balance Sheets as of November 30, 2019, March 2, 2019 and December 1, 2018.</u>	6
<u>Consolidated Statements of Cash Flows for the 39 Weeks Ended November 30, 2019 and December 1, 2018.</u>	7
<u>Consolidated Statements of Shareholders' Equity (Deficit) for the 13 and 39 Weeks Ended November 30, 2019 and December 1, 2018</u>	8
<u>Notes to Consolidated Financial Statements</u>	10
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	17
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk.</u>	22
Item 4. <u>Controls and Procedures.</u>	22
<u>PART II. OTHER INFORMATION</u>	23
Item 1. <u>Legal Proceedings.</u>	23
Item 1A. <u>Risk Factors.</u>	23
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	24
Item 3. <u>Defaults upon Senior Securities.</u>	25
Item 4. <u>Mine Safety Disclosures.</u>	25
Item 5. <u>Other Information.</u>	25
Item 6. <u>Exhibits.</u>	26
<u>Signatures</u>	27

FORWARD-LOOKING STATEMENTS

Certain statements contained in Items 1, 2 and 3 of Part I and elsewhere in this report may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Pier 1 Imports, Inc. and its consolidated subsidiaries (the “Company”) may also make forward-looking statements in other reports filed with the United States Securities and Exchange Commission (“SEC”), in press releases, in presentations and in material delivered to the Company’s shareholders. Forward-looking statements provide current expectations of future events based on management’s assumptions and assessments in light of past experience and trends, current economic and industry conditions, expected future developments, and other relevant factors. These statements encompass information that does not directly relate to any historical or current fact and often may be identified with words such as “believe,” “expect,” “estimate,” “anticipate,” “plan,” “may,” “will,” “intend” and other similar expressions.

Management’s expectations and assumptions regarding: actions intended to return the Company to profitable growth; fiscal 2020 action plans and expense reduction initiatives intended to reset the Company’s gross margin and cost structure, including the potential closure of up to 450 stores; the Company’s ability to increase cash flows to support its operating activities and to fund its obligations and working capital needs through the next 12 months; the results of the evaluation of strategic alternatives and the terms, value and timing of any transaction resulting from that process, or the failure of any such transaction to occur; the Company’s ability to finalize or fully execute actions that would be probable of mitigating the existence of “substantial doubt” regarding the Company’s ability to continue as a going concern within the next year; the Company’s ability to obtain necessary consents, waivers and amendments and to avoid defaults under its senior secured credit facilities, including defaults that would result from the Company’s auditors qualifying their opinion on the Company’s fiscal 2020 financial statements expected to be filed with the SEC; the effectiveness of the Company’s marketing campaigns, merchandising and promotional strategies and customer databases; consumer spending patterns; inventory levels and values; the effectiveness of the Company’s relationships with, and operations of, its key suppliers; risks related to changes in U.S. policy related to imported merchandise, particularly with regard to the impact of tariffs on goods imported from China and strategies undertaken to mitigate such impact; changes in foreign currency values relative to the U.S. dollar; the Company’s ability to retain its senior management team; continued volatility in the price of the Company’s common stock; the Company’s ability to execute its business plan to return to compliance with the continued listing criteria of the New York Stock Exchange (“NYSE”), as accepted by the NYSE, its ability to continue to comply with applicable listing standards within the available cure period and risks arising from the potential suspension of trading of the Company’s common stock on the NYSE; and other future results are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements.

Additional risks and uncertainties that may affect Company operations and performance include, among others: the failure by the Company to identify, develop and successfully implement immediate action plans and longer-term strategic initiatives; the inability of the Company to anticipate, identify and respond to changing customer trends and preferences for home décor and furniture and to identify, source, ship and deliver items of acceptable quality to its U.S. distribution and fulfillment centers, stores and customers at reasonable prices and rates in a timely fashion; risks related to outsourcing certain business processes to third-party vendors, including disruptions in business, cyber security threats and increased costs; an overall decline in the health of the U.S. economy and its impact on consumer confidence and spending; disruptions in the Company’s domestic supply chain or e-Commerce website; failure to successfully manage and execute the Company’s marketing initiatives; negative impacts from a failure to control merchandise returns and recalls; potential impairment charges on certain long-lived assets; the risk that insufficient cash flows from operations could result in the substantial utilization of the Company’s secured revolving credit facility or similar financing which, in turn, may limit the Company’s ability to conduct certain activities; the Company’s access to adequate operating cash flow, trade credit, borrowed funds and capital to fund its operations and pay its obligations as they become due, including the impact of continued deterioration of the Company’s financial performance or adverse trends or disruption in the global credit and equity markets; the highly competitive retail environment with companies offering similar specialty home merchandise; factors affecting consumer spending, including employment levels and disposable income, interest rates, consumer debt levels, fuel and transportation costs and other factors; an inability to operate in desirable locations at reasonable rental rates and to close underperforming stores at or before the completion of their lease terms; failure to attract, motivate and retain an effective management team or changes in the cost or availability of a suitable workforce; failure to successfully manage omni-channel operations; seasonal variations; increases in costs that are outside the Company’s control; adverse weather conditions and natural disasters; risks related to the Company’s dependence on technology in the operation of its business; failure to protect consumer data; failure to successfully implement new information technology systems and enhance existing systems; risks related to cybersecurity and e-Commerce related fraud; failure to maintain positive brand perception and recognition; risks related to imported merchandise including the health of global, national, regional, and local economies and their impact on vendors, manufacturers and merchandise; factors beyond the Company’s control, including general economic and market conditions, fluctuations in the Company’s financial condition or other factors that could affect the common stock price; risks related to actions by activist shareholders; regulatory and legal risks; and litigation risks.

The foregoing risks and uncertainties are in addition to others discussed elsewhere in this report which may also affect Company operations and performance. The Company assumes no obligation to update or otherwise revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied will not be realized. Additional information concerning these risks and uncertainties is contained in the Company’s Annual Report on Form 10-K for the fiscal year ended March 2, 2019, as filed with the SEC, in the Company’s other filings with the SEC, and in Item 1A of Part II in this report – “Risk Factors”.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share amounts)
(unaudited)

	13 Weeks Ended		39 Weeks Ended	
	November 30,	December 1,	November 30,	December 1,
	2019	2018	2019	2018
Net sales	\$ 358,416	\$ 413,232	\$ 977,330	\$ 1,140,432
Cost of sales	248,146	282,740	737,402	796,295
Gross profit	110,270	130,492	239,928	344,137
Selling, general and administrative expenses	151,405	147,012	426,259	428,741
Depreciation	12,176	12,423	36,600	38,146
Operating loss	(53,311)	(28,943)	(222,931)	(122,750)
Nonoperating (income) and expenses:				
Interest, investment income and other	(191)	96	(549)	(1,067)
Interest expense	5,586	3,526	15,883	10,670
	5,395	3,622	15,334	9,603
Loss before income taxes	(58,706)	(32,565)	(238,265)	(132,353)
Income tax provision (benefit)	250	17,876	2,955	(2,321)
Net loss	\$ (58,956)	\$ (50,441)	\$ (241,220)	\$ (130,032)
Loss per share:				
Basic	\$ (14.15)	\$ (12.49)	\$ (58.36)	\$ (32.31)
Diluted	\$ (14.15)	\$ (12.49)	\$ (58.36)	\$ (32.31)
Average shares outstanding during period:				
Basic	4,168	4,039	4,133	4,025
Diluted	4,168	4,039	4,133	4,025

The accompanying notes are an integral part of these financial statements.

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)
(unaudited)

	13 Weeks Ended		39 Weeks Ended	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Net loss	\$ (58,956)	\$ (50,441)	\$ (241,220)	\$ (130,032)
Other comprehensive income (loss)				
Foreign currency translation adjustments	(36)	(825)	43	(1,086)
Pension adjustments	3	6	6	344
Other comprehensive income (loss)	(33)	(819)	49	(742)
Comprehensive loss, net of tax	\$ (58,989)	\$ (51,260)	\$ (241,171)	\$ (130,774)

The accompanying notes are an integral part of these financial statements.

Pier 1 Imports, Inc.

CONSOLIDATED BALANCE SHEETS

(in thousands except share amounts)
(unaudited)

	November 30, 2019	March 2, 2019	December 1, 2018
ASSETS			
Current assets:			
Cash and cash equivalents, including temporary investments of \$2,727, \$49,532 and \$63,330, respectively	\$ 11,077	\$ 54,878	\$ 71,109
Accounts receivable, net	36,489	21,189	36,283
Inventories	328,916	347,584	388,275
Prepaid expenses and other current assets	50,103	49,876	56,656
Total current assets	426,585	473,527	552,323
Properties and equipment, net of accumulated depreciation of \$586,592, \$556,426 and \$551,065, respectively	106,260	149,356	159,705
Operating lease right-of-use assets	588,573	—	—
Other noncurrent assets	28,821	33,407	33,264
	\$ 1,150,239	\$ 656,290	\$ 745,292
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable	\$ 144,972	\$ 121,969	\$ 172,744
Gift cards and other deferred revenue	36,709	37,655	44,028
Borrowings under revolving line of credit	96,000	—	—
Accrued income taxes payable	24	302	—
Current portion of long-term debt	2,875	2,000	2,000
Current portion of operating lease liabilities	146,931	—	—
Other accrued liabilities	106,268	107,539	118,236
Total current liabilities	533,779	269,465	337,008
Long-term debt	258,254	245,624	197,011
Long-term operating lease liabilities	487,872	—	—
Other noncurrent liabilities	18,032	51,672	54,087
Commitments and contingencies			
Shareholders' equity (deficit):			
Common stock, \$0.001 par, 25,000,000 shares authorized, 6,262,000 issued	6	6	6
Paid-in capital	141,875	138,469	149,044
Retained earnings	294,742	534,419	603,220
Cumulative other comprehensive loss	(7,812)	(7,861)	(8,219)
Less -- 1,986,000, 1,981,000 and 2,019,000 common shares in treasury, at cost, respectively	(576,509)	(575,504)	(586,865)
Total shareholders' equity (deficit)	(147,698)	89,529	157,186
	\$ 1,150,239	\$ 656,290	\$ 745,292

The accompanying notes are an integral part of these financial statements.

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)
(unaudited)

	39 Weeks Ended	
	November 30, 2019	December 1, 2018
Cash flows from operating activities:		
Net loss	\$ (241,220)	\$ (130,032)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation	42,097	44,121
Non-cash operating lease expense	2,665	—
Right-of-use asset impairment	10,629	—
Fixed asset impairment	8,103	—
Stock-based compensation expense	1,847	2,266
Deferred compensation, net	380	2,065
Deferred income taxes	2,337	(1,361)
Other	5,192	1,486
Changes in cash from:		
Inventories	18,681	(41,257)
Prepaid expenses and other assets	(15,342)	(18,210)
Accounts payable and other liabilities	19,051	104,888
Accrued income taxes payable, net of payments	(277)	(2,313)
Net cash used in operating activities	(145,857)	(38,347)
Cash flows from investing activities:		
Capital expenditures	(10,060)	(31,466)
Proceeds from disposition of properties	627	1,732
Proceeds from sale of restricted investments	2,985	11,236
Purchase of restricted investments	(804)	(6,605)
Net cash used in investing activities	(7,252)	(25,103)
Cash flows from financing activities:		
Stock purchase plan and other, net	554	1,104
Repayments of long-term debt	(1,500)	(1,500)
Borrowings under revolving line of credit	251,000	—
Repayments of borrowings under revolving line of credit	(155,000)	—
Borrowings under company owned life insurance	14,246	—
Net cash provided by (used in) financing activities	109,300	(396)
Effect of exchange rate changes on cash	8	(424)
Change in cash and cash equivalents	(43,801)	(64,270)
Cash and cash equivalents at beginning of period	54,878	135,379
Cash and cash equivalents at end of period	\$ 11,077	\$ 71,109

The accompanying notes are an integral part of these financial statements.

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

(in thousands)
(unaudited)

For the 39 Weeks Ended November 30, 2019

	Common Stock						Cumulative Other		Total
	Outstanding Shares	Amount		Paid-in Capital	Retained Earnings		Comprehensive Income (Loss)	Treasury Stock	Shareholders' Equity (Deficit)
Balance March 2, 2019	4,281	\$ 6	\$	138,469	\$ 534,419	\$	(7,861)	\$ (575,504)	\$ 89,529
Net loss	—	—		—	(241,220)		—	—	(241,220)
Cumulative effect of accounting change	—	—		—	1,543		—	—	1,543
Other comprehensive income	—	—		—	—		49	—	49
Stock-based compensation expense	(57)	—		18,986	—		—	(17,139)	1,847
Stock purchase plan and other	52	—		(15,580)	—		—	16,134	554
Balance November 30, 2019	4,276	\$ 6	\$	141,875	\$ 294,742	\$	(7,812)	\$ (576,509)	\$ (147,698)

For the 39 Weeks Ended December 1, 2018

	Common Stock					Cumulative Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
	Outstanding Shares	Amount	Paid-in Capital	Retained Earnings				
Balance March 3, 2018	4,163	\$ 6	\$ 168,543	\$ 726,232	\$	(7,477)	\$ (609,734)	\$ 277,570
Net loss	—	—	—	(130,032)		—	—	(130,032)
Cumulative effect of accounting change	—	—	—	7,020		—	—	7,020
Other comprehensive loss	—	—	—	—		(742)	—	(742)
Stock-based compensation expense	52	—	(11,509)	—		—	13,775	2,266
Stock purchase plan and other	28	—	(7,990)	—		—	9,094	1,104
Balance December 1, 2018	4,243	\$ 6	\$ 149,044	\$ 603,220	\$	(8,219)	\$ (586,865)	\$ 157,186

The accompanying notes are an integral part of these financial statements.

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

(in thousands)
(unaudited)

For the 13 Weeks Ended November 30, 2019

	Common Stock					Cumulative Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity (Deficit)
	Outstanding Shares	Amount	Paid-in Capital	Retained Earnings				
Balance August 31, 2019	4,272	\$ 6	\$ 141,943	\$ 353,698	\$	(7,779)	\$ (577,544)	\$ (89,676)
Net loss	—	—	—	(58,956)		—	—	(58,956)
Other comprehensive loss	—	—	—	—		(33)	—	(33)
Stock-based compensation expense	4	—	(83)	—		—	1,012	929
Stock purchase plan and other	—	—	15	—		—	23	38
Balance November 30, 2019	4,276	\$ 6	\$ 141,875	\$ 294,742	\$	(7,812)	\$ (576,509)	\$ (147,698)

For the 13 Weeks Ended December 1, 2018

	Common Stock					Cumulative Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
	Outstanding Shares	Amount	Paid-in Capital	Retained Earnings				
Balance September 1, 2018	4,278	\$ 6	\$ 137,510	\$ 653,661	\$	(7,400)	\$ (576,609)	\$ 207,168
Net loss	—	—	—	(50,441)		—	—	(50,441)
Other comprehensive loss	—	—	—	—		(819)	—	(819)
Stock-based compensation expense	(46)	—	14,282	—		—	(13,396)	886
Stock purchase plan and other	11	—	(2,748)	—		—	3,140	392
Balance December 1, 2018	4,243	\$ 6	\$ 149,044	\$ 603,220	\$	(8,219)	\$ (586,865)	\$ 157,186

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Throughout this report, references to the "Company" include Pier 1 Imports, Inc. and its consolidated subsidiaries. The accompanying unaudited financial statements should be read in conjunction with the Company's Form 10-K for the fiscal year ended March 2, 2019. All adjustments that are, in the opinion of management, necessary for a fair presentation of the Consolidated Financial Statements contained in this report have been made and consist only of normal recurring adjustments, except as otherwise described herein. Certain items in these Consolidated Financial Statements have been reclassified to conform to the current period presentation. Fiscal 2020 consists of a 52-week year ending on February 29, 2020. Fiscal 2019 consisted of a 52-week year which ended on March 2, 2019. The results of operations for the 13 and 39 weeks ended November 30, 2019 and December 1, 2018, are not indicative of results to be expected for the fiscal year because of, among other things, seasonality factors in the retail business. Historically, the strongest sales of the Company's products have occurred during the holiday season beginning in November and continuing through December. The Company conducts business as one operating segment under the name Pier 1 Imports. As of November 30, 2019, the Company had no financial instruments with fair market values that were materially different from their carrying values, unless otherwise disclosed.

The Company meets the SEC's definition of a "Smaller Reporting Company," and therefore qualifies for the SEC's reduced disclosure requirements for smaller reporting companies.

NOTE 1 – LOSS PER SHARE

Basic loss per share amounts were determined by dividing net loss by the weighted average number of common shares outstanding for the period. Stock-based awards totaling 597,900 and 516,500 were excluded from the computation for the 13 and 39 weeks ended November 30, 2019, respectively, as the effect would be antidilutive. Stock-based awards totaling 122,200 and 106,400 were excluded from the computation for the 13 and 39 weeks ended December 1, 2018, respectively, as the effect would be antidilutive. Loss per share amounts were calculated as follows (in thousands except per share amounts):

	13 Weeks Ended		39 Weeks Ended	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Net loss	\$ (58,956)	\$ (50,441)	\$ (241,220)	\$ (130,032)
Weighted average shares outstanding:				
Basic	4,168	4,039	4,133	4,025
Effect of dilutive stock options	—	—	—	—
Effect of dilutive restricted stock	—	—	—	—
Diluted	4,168	4,039	4,133	4,025
Loss per share:				
Basic	\$ (14.15)	\$ (12.49)	\$ (58.36)	\$ (32.31)
Diluted	\$ (14.15)	\$ (12.49)	\$ (58.36)	\$ (32.31)

Per share figures for all periods presented reflect the Company's 1-for-20 reverse stock split effected on June 20, 2019. See Note 5 of the Notes to Consolidated Financial Statements for additional information.

NOTE 2 – LEASES

In the first quarter of fiscal 2020, the Company adopted Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, and related amendments. See Note 9 of the Notes to Consolidated Financial Statements for additional information.

The Company leases certain property consisting principally of its corporate headquarters, its retail stores, the majority of its distribution and fulfillment centers, and certain equipment under operating leases. Many of the Company's leases include options to renew at the Company's discretion. The renewal options are not included in the measurement of right-of-use ("ROU") assets and lease liabilities as the Company is not reasonably certain to exercise available options. Rent escalations occurring during the term of the leases are included in the calculation of the future minimum lease payments and the rent expense related to these leases is recognized on a straight-line basis over the lease term.

The Company determines whether an agreement contains a lease at inception based on the Company's right to obtain substantially all of the economic benefits from the use of the identified asset and its right to direct the use of the identified asset. Lease liabilities

represent the present value of future lease payments and the ROU assets represent the Company's right to use the underlying assets for the respective lease terms. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. The ROU asset is further adjusted to account for previously recorded lease-related expenses such as deferred rent and other lease liabilities. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate as the discount rate to calculate the present value of future lease payments. The incremental borrowing rate represents an estimate of the interest rate that would be required to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

The Company elected not to recognize a ROU asset and a lease liability for leases with an initial term of twelve months or less and not to separate lease and non-lease components. In addition to minimum lease payments, certain leases require payment of a proportionate share of real estate taxes and certain building operating expenses or payments based on a percentage of sales in excess of a specified base. These variable lease costs are not included in the measurement of the ROU asset or lease liability due to unpredictability of the payment amount and are recorded as a lease expense in the period incurred. The Company's lease agreements do not contain residual value guarantees or significant restrictions or covenants other than those customary in such arrangements. As of November 30, 2019, the Company did not have material leases that had been signed but not yet commenced.

The Company entered into finance leases for certain equipment during the third quarter of fiscal 2020. As of November 30, 2019, finance lease right-of-use assets totaling \$266,000 are included in other noncurrent assets and current finance lease liabilities of \$84,000 and long-term finance lease liabilities of \$183,000 are included in other accrued liabilities and other noncurrent liabilities, respectively.

The components of lease cost are as follows (in thousands):

	13 Weeks Ended November 30, 2019	39 Weeks Ended November 30, 2019
Operating lease cost	\$ 52,717	\$ 162,320
Short-term lease cost	829	2,911
Finance lease cost:		
Amortization of ROU assets	8	8
Interest on lease liabilities	2	2
Variable lease cost	14,522	42,898
Less: Sublease income	463	1,319
Total lease cost	\$ 67,615	\$ 206,820

The following table discloses the weighted-average remaining lease term and weighted-average discount rate for the Company's leases as of November 30, 2019:

	Operating Leases	Finance Leases
Weighted-average remaining lease term (years)	4.82	3.00
Weighted-average discount rate	10.02%	9.27%

At November 30, 2019, the Company had the following future minimum lease payments (in thousands):

Fiscal Year	Operating Leases	Finance Leases	Total
2020 (remaining)	\$ 53,752	\$ 26	\$ 53,778
2021	197,094	104	197,198
2022	168,630	104	168,734
2023	133,807	70	133,877
2024	97,484	—	97,484
Thereafter	157,612	—	157,612
Total lease payments	808,379	304	808,683
Less: Interest	173,576	37	173,613
Total lease obligations	\$ 634,803	\$ 267	\$ 635,070

The following table discloses supplemental cash flow information related to the Company's leases (in thousands):

	13 Weeks Ended November 30, 2019	39 Weeks Ended November 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 55,017	\$ 169,146
Operating cash flows from finance leases	\$ —	\$ —

NOTE 3 – IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment at least quarterly or whenever an event or change in circumstances indicates that their carrying values may not be recoverable. If the impairment analysis indicates that the carrying value of the assets exceeds the sum of the expected undiscounted cash flows, the assets may be considered impaired. For store level long-lived assets, expected cash flows are determined based on management's estimate of future sales, merchandise margin rates and expenses over the remaining expected terms of the leases. The Company determines the fair value of operating lease ROU assets by comparing the contractual rent payments to estimated market rental rates. Long-lived store ROU and fixed assets are valued at fair value using inputs classified as Level 3 in the fair value hierarchy, which are unobservable inputs based on the Company's assumptions. Impairment, if any, is recorded in the period in which the impairment occurred. The Company recorded impairment charges for the third quarter and year-to-date period of fiscal 2020 of \$4,897,000 and \$8,103,000, respectively, related to fixed assets. The Company also recorded impairment charges for the third quarter and year-to-date period of fiscal 2020 of \$9,190,000 and \$10,629,000, respectively, related to lease ROU assets. Impairment charges were included in selling, general and administrative expenses. The Company recorded no impairment charges in the third quarter and year-to-date period of fiscal 2019. The projection of future cash flows and the determination of market rental rates requires the use of judgment and estimates. If actual results differ from the Company's estimates, additional charges for asset impairments may be recorded in the future.

NOTE 4 – LONG-TERM DEBT AND AVAILABLE CREDIT

Revolving Credit Facility — The Company has a \$350,000,000 secured revolving credit facility, with a \$150,000,000 accordion feature (subject to the terms and conditions set forth therein), that matures on June 2, 2022 ("Revolving Credit Facility"). Credit extensions under the Revolving Credit Facility are limited to the lesser of \$350,000,000 or the amount of the calculated borrowing base, as defined in the Revolving Credit Facility, which was \$301,045,000 as of November 30, 2019. The Company had \$96,000,000 in cash borrowings and \$46,531,000 in letters of credit outstanding under the Revolving Credit Facility, with \$158,514,000 remaining available for cash borrowings, all as of November 30, 2019. At the Company's option, borrowings will bear interest, payable quarterly or, if earlier, at the end of each interest period, at either the adjusted LIBOR rate as defined in the Revolving Credit Facility plus a spread varying from 125 to 150 basis points per annum, depending on the amount then borrowed under the Revolving Credit Facility, or the prime rate as defined in the Revolving Credit Facility plus a spread varying from 25 to 50 basis points per annum, depending on the amount then borrowed under the Revolving Credit Facility.

The Revolving Credit Facility includes a \$50,000,000 first-in, last-out tranche ("FILO Tranche"). The FILO Tranche expands the Revolving Credit Facility to \$400,000,000 and modifies the borrowing base. The FILO Tranche includes a \$15,000,000 first-in, last-out loan ("FILO Loan"), subject to a borrowing base, which bears interest at either the adjusted LIBOR rate plus 300 basis points per annum or the prime rate plus a spread varying from 25 to 50 basis points per annum, depending on the amount then borrowed under the Revolving Credit Facility. The FILO Tranche also includes a \$35,000,000 term loan ("ABL Term Loan"), subject to a borrowing base, which bears interest at the adjusted LIBOR rate plus 800 basis points per annum, and which will amortize in equal quarterly installments of 1.25% of the original principal amount thereof commencing on June 30, 2020. The FILO Tranche is a term loan and does not revolve. The maturity date of each of the FILO Loan and the ABL Term Loan is June 2, 2022. As of November 30, 2019, the Company had \$50,000,000 in cash borrowings under the FILO Loan and ABL Term Loan with a carrying value of \$49,072,000, net of debt issuance costs.

Term Loan Facility — The Company has a senior secured term loan facility that matures on April 30, 2021 ("Term Loan Facility"). As of November 30, 2019, March 2, 2019 and December 1, 2018, the Company had \$189,500,000, \$191,000,000 and \$191,500,000, respectively, outstanding under the Term Loan Facility with carrying values of \$188,381,000, \$189,290,000 and \$189,592,000, respectively, net of unamortized discounts and debt issuance costs.

The fair value of the amount outstanding under the Term Loan Facility was approximately \$55,903,000 as of November 30, 2019, which was measured at fair value using the quoted market price. The fair value measurement is classified as Level 2 in the fair value hierarchy based on the frequency and volume of trading for which the price was readily available. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Company Owned Life Insurance Loans — During the second quarter of fiscal 2020, the Company entered into loans secured by Company owned life insurance ("COLI") policies on former key executives. As of November 30, 2019, the Company had \$14,246,000 in cash borrowings outstanding under the COLI loans. The cash surrender value of the related policies was \$14,516,000 and is included in other noncurrent assets. Borrowings bear interest, payable annually, at the higher of the published monthly average as defined in the COLI policies or 5.0%. When a policy becomes payable in accordance with provisions of the policy, the related loan will mature and any outstanding loan amount will be deducted from the proceeds.

As of November 30, 2019, the Company is in compliance with the requirements of its Revolving Credit Facility and Term Loan Facility. The facilities do not require the Company to comply with any financial maintenance covenants, but contain certain customary representations and warranties, affirmative covenants and provisions relating to events of default. As a result of being in compliance with the requirements, the classification of debt in the consolidated financial statements as of November 30, 2019, is based on the contractual maturity as set forth in the respective loan agreements.

A future event of default under the Revolving Credit Facility that is not cured by the Company or waived by the lenders would permit, among other remedies, acceleration of the Company's indebtedness under the Revolving Credit Facility and the exercise by the lenders of the other remedies provided under the agreements governing the Revolving Credit Facility. An event of default under the Revolving Credit Facility would also constitute an event of default under the Term Loan Facility, subject to customary grace periods and conditions, allowing its lenders to accelerate the Company's obligations and exercise their remedies. If the Company's independent registered public accounting firm includes a qualification or exception regarding the Company's ability to continue as a going concern in its annual audit opinion regarding the Company's annual consolidated financial statements, without an amendment from its lenders, an event of default under existing debt agreements would be triggered.

In the event of default under these agreements, the long-term portion of the debt would be reclassified to current.

NOTE 5 – MATTERS CONCERNING SHAREHOLDERS' EQUITY (DEFICIT)

On June 19, 2019, the Company's Board of Directors authorized a 1-for-20 reverse stock split of the Company's common stock ("Reverse Stock Split") and the Company filed a Certificate of Amendment ("Amendment") to its Restated Articles of Incorporation with the Secretary of State of the State of Delaware to effect the Reverse Stock Split with respect to the Company's issued and outstanding shares of common stock, as well as its shares held in treasury. Pursuant to the Amendment, effective as of 12:01 a.m., Eastern Time, on June 20, 2019, each twenty shares of common stock issued and outstanding or held in treasury was, automatically and without any action on the part of the respective holders thereof, combined and converted into one validly issued, fully paid and non-assessable share of common stock. In connection with the Reverse Stock Split, the number of authorized shares of common stock was reduced proportionately from 500,000,000 to 25,000,000 shares. No fractional shares were issued as a result of the Reverse Stock Split. In lieu thereof, shareholders who would have been entitled to a fractional share as a result of the Reverse Stock Split received a cash payment from the Company's transfer agent in an amount equal to their respective pro rata share of the proceeds of the transfer agent's aggregate sale of all fractional shares at the then-prevailing prices on the open market, net of any brokerage costs incurred by the transfer agent to sell such fractional shares. Proportionate adjustments were made to the Pier 1 Imports, Inc. 2006 Stock Incentive Plan, the Pier 1 Imports, Inc. 2015 Stock Incentive Plan and all outstanding awards thereunder. The Company's common stock began trading on a split-adjusted basis on the NYSE at the market open on June 20, 2019. Accordingly, all share and per-share figures reflect the Reverse Stock Split. See *Note 1* of the *Notes to Consolidated Financial Statements* for additional information.

NOTE 6 – REVENUE RECOGNITION

Revenue is recognized upon customer receipt or delivery for retail sales. The Company's revenues are reported net of discounts, returns and sales tax, and include wholesale sales and royalties. Amounts charged to customers for shipping and handling are included in net sales. A reserve has been established for estimated merchandise returns based upon historical experience and other known factors. The gross reserve for estimated merchandise returns at November 30, 2019 and December 1, 2018, was \$5,686,000 and \$7,809,000, respectively. For the 13 and 39 weeks ended November 30, 2019, the Company recognized revenue of \$2,521,000 and \$9,780,000, respectively, for gift card redemptions. For the 13 and 39 weeks ended December 1, 2018, the Company recognized revenue of \$3,049,000 and \$11,659,000, respectively, for gift card redemptions. Prior to recognition as revenue, these amounts were previously included in gift cards and other deferred revenue on the Company's consolidated balance sheets as of March 2, 2019 and March 3, 2018, respectively.

Disaggregated Revenues — Net sales consisted almost entirely of sales to retail customers, net of discounts, returns and sales tax, but also included delivery revenues, wholesale sales and royalties, and gift card breakage. Net sales were as follows (in thousands):

	13 Weeks Ended		39 Weeks Ended	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Retail sales	\$ 356,160	\$ 410,377	\$ 970,112	\$ 1,132,170
Other ⁽¹⁾	2,256	2,855	7,218	8,262
Net sales	\$ 358,416	\$ 413,232	\$ 977,330	\$ 1,140,432

⁽¹⁾ The Company supplies merchandise and licenses the Pier 1 Imports name to Grupo Sanborns, which sells Pier 1 Imports merchandise primarily in a "store within a store" format in Mexico and El Salvador and online in Mexico. Other sales consisted primarily of these wholesale sales and royalties received from Grupo Sanborns, as well as gift card breakage.

NOTE 7 – INCOME TAX

The income tax provision for the third quarter of fiscal 2020 was \$250,000, compared to \$17,876,000 during the same period in the prior fiscal year. The effective tax rate for the third quarter of fiscal 2020 was (0.4%), compared to (54.9%) for the same period during fiscal 2019. The income tax provision for the year-to-date period of fiscal 2020 was \$2,955,000, compared to an income tax benefit of \$2,321,000 during the same period in the prior fiscal year. The effective tax rate for the year-to-date period of fiscal 2020 was (1.2%), compared to 1.8% in the same period during fiscal 2019. The change in the income tax provision for the third quarter of fiscal 2020

compared to third quarter of fiscal 2019 primarily relates to the valuation allowances established in fiscal year 2019. During the second quarter of fiscal 2020, the Company recorded an additional valuation allowance of \$2,609,000 related to certain state jurisdictions based upon the determination that it was not more likely than not that such assets would be realized.

As of November 30, 2019, the Company had total unrecognized tax benefits of approximately \$4,100,000, the majority of which, if recognized, would affect the Company's effective tax rate. It is reasonably possible a significant portion of the Company's gross unrecognized tax benefits could decrease within the next twelve months primarily due to settlements with certain taxing jurisdictions.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Company announced in January 2016 a voluntary recall of its Swingasan Chair and Stand in cooperation with the Consumer Product Safety Commission ("CPSC"). In September 2016, the Company received a staff investigatory letter from the CPSC indicating that the CPSC would investigate whether the Company complied with certain reporting requirements of the Consumer Product Safety Act with respect to the recall. The Company responded to the inquiry and cooperated with the CPSC. On September 20, 2017, the Company received a letter from the CPSC proposing to resolve certain alleged violations of the Consumer Product Safety Act relating to the Swingasan recall on terms which would require, among other things, the payment of a civil money penalty. On October 27, 2017, the Company submitted its response to the CPSC letter. The Company disagrees with a number of the allegations and legal conclusions asserted by the CPSC and believes the requested civil money penalty is excessive in view of the circumstances. The CPSC has responded to the Company's letter and generally declined to accept the Company's position. The Company entered into settlement discussions with the CPSC during the third quarter of fiscal 2019 that are ongoing. Given the nature of this matter and the uncertainty as to how and when it will be resolved, the Company believes that a reasonable estimate of the potential range of loss in connection with this matter is \$2,000,000 to \$6,200,000. While the Company anticipates that the final settlement will fall within the estimated range of outcomes, the final terms of the resolution of this matter cannot be predicted with certainty and no assurances can be given as to the specific amount that the Company may be required to pay.

There are various other claims, lawsuits, inquiries, investigations and pending actions against the Company incident to the operation of its business. The Company considers these other matters to be ordinary and routine in nature. The Company maintains insurance against most of these matters. It is the opinion of management, after consultation with counsel, that the ultimate resolution of such matters will not have a material adverse effect, either individually or in the aggregate, on the Company's financial condition, results of operations or liquidity.

NOTE 9 – NEW ACCOUNTING STANDARDS

Accounting Standards — Recently Adopted:

ASU 2016-02 — Leases (Topic 842)

The Company adopted ASU 2016-02, "Leases (Topic 842)," and related amendments in the first quarter of fiscal 2020 on a modified retrospective basis. The new standard required lessees to recognize a ROU asset and lease liability for most leases on the balance sheet. The Company elected certain practical expedients permitted under the transition guidance, including the package of practical expedients, which allows the Company to not reassess whether existing contracts contain leases, the lease classification of existing leases, or initial direct costs for existing leases. The Company also elected the transition option that allows entities to only apply the ASU at the adoption date and not apply the provisions to comparative periods; therefore, comparative financial information has not been restated. This transition option allows the recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than the earliest period presented. The Company elected not to separate lease and non-lease components and not to recognize a ROU asset and a lease liability for leases with an initial term of twelve months or less. The Company did not elect the hindsight practical expedient.

The Company recognized a cumulative-effect adjustment to increase the opening balance of retained earnings by \$1,543,000 as of March 3, 2019, as a result of previous sale leaseback transactions and previous store impairments. The adoption of ASU 2016-02 did not have a material impact on the Company's consolidated statements of operations or consolidated statements of cash flows for the periods ended November 30, 2019. See Note 2 of the Notes to Consolidated Financial Statements for additional information.

ASU 2018-02 — Income Statement — Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-02, "Income Statement — Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." ASU 2018-02 gives entities the option to reclassify to retained earnings tax effects related to items in accumulated other comprehensive income ("OCI") that have been stranded in accumulated OCI as a result of the remeasurement of deferred taxes to reflect the lower federal income tax rate enacted as part of the Tax Cuts and Jobs Act of 2017 ("Tax Act"). ASU 2018-02 requires entities to make new disclosures, regardless of whether they elect to reclassify tax effects. The Company adopted the provisions of this guidance in the first quarter of fiscal 2020. The adoption of this guidance did not have a material impact on the Company's financial statements. An election was made not to reclassify the tax effects of the Tax Act related to items in accumulated OCI. The Company's policy is to release tax effects related to items in accumulated OCI when an entire portfolio of the type of item is liquidated, sold, or extinguished.

Accounting Standards — Pending Adoption:

ASU 2016-13 — Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” ASU 2016-13 and related amendments change how entities account for and measure credit losses for most financial assets and certain other instruments. In November 2019, the FASB issued ASU 2019-10, “Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates.” ASU 2019-10 defers the effective date of credit loss standard ASU 2016-13 by two years for smaller reporting companies and permits early adoption. ASU 2016-13 is effective for the Company beginning in fiscal 2024. The Company is evaluating the impact of the adoption of ASU 2016-13 on its financial statements, but does not expect such adoption to have a material impact.

ASU 2018-15 — Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract

In August 2018, the FASB issued ASU 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract,” requiring a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in Accounting Standards Codification 350-40 to determine which implementation costs to capitalize as assets. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. ASU 2018-15 is effective for the Company beginning in fiscal 2021. The Company is evaluating the impact of the adoption of ASU 2018-15 on its financial statements, but does not expect such adoption to have a material impact.

ASU 2019-12 — Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,” which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for the Company beginning in fiscal 2022. The Company is evaluating the impact of the adoption of ASU 2019-12 on its financial statements, but does not expect such adoption to have a material impact.

NOTE 10 – GOING CONCERN UNCERTAINTY

Operating loss for the 13 and 39 weeks ended November 30, 2019, were \$53,311,000 and \$222,931,000, respectively. The Company’s net cash used in operating activities was \$145,857,000 during the 39 weeks ended November 30, 2019. Cash and cash equivalents were \$11,077,000 as of November 30, 2019. The Company had \$96,000,000 in cash borrowings and \$46,531,000 in letters of credit outstanding under the Revolving Credit Facility, with \$158,514,000 remaining available for cash borrowings, all as of November 30, 2019. For information regarding the Company’s borrowings, see Note 4 of the Notes to Consolidated Financial Statements.

Cash and cash equivalents and forecasted cash flows from operations are not expected to be sufficient to meet the Company’s obligations that will mature over the next 12 months. In addition, future borrowings may not be available or may not be sufficient to enable the Company to fund its obligations and working capital needs through the next 12 months.

However, the Company is taking a number of actions to support its ongoing transformation including cost cutting, lowering capital expenditures, seeking additional capital and reducing its store footprint including related distribution centers and corporate headquarters support. The Company will continue to seek reductions in rental obligations with landlords in its determination of the appropriate footprint.

The consolidated financial statements for the 13 and 39 weeks ended November 30, 2019, have been prepared assuming that the Company will continue as a going concern. The consolidated financial statements do not include any adjustments that may result from the outcome of this going concern uncertainty as the Company believes that completion or substantial completion of the actions discussed above would alleviate or eliminate the substantial doubt as defined in ASC 205-40, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.” However, as the actions above have not been finalized or fully executed as of the date of this report, they cannot be deemed probable of mitigating substantial doubt. Accordingly, substantial doubt is deemed to exist about the Company’s ability to continue as a going concern.

If the Company’s independent registered public accounting firm includes a qualification or exception regarding the Company’s ability to continue as a going concern in its audit report and opinion regarding the Company’s annual consolidated financial statements, without an amendment from its lenders, an event of default under existing debt agreements would be triggered.

NOTE 11 – SUBSEQUENT EVENTS

In order to better align its business with the current operating environment, the Company intends to reduce its store footprint by up to 450 locations. To reflect the revised store footprint, the Company also plans to close certain distribution centers and reduce its corporate expenses, including headcount. The Company is currently unable in good faith to make a determination of an estimate of the amount or range of amounts expected to be incurred in connection with these events. See *Part II, Item 5. Other Information* of this Quarterly Report on Form 10-Q for additional information regarding these actions.

On January 6, 2020, the Company received consent from its lenders under the Revolving Credit Facility to permit the reduction to the store footprint and related actions.

As previously announced, the Company is currently in the process of evaluating a full range of strategic alternatives. That work is ongoing, with no formal conclusion at this time.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of financial condition, results of operations, and liquidity and capital resources for the 13 and 39 weeks ended November 30, 2019, as compared to the 13 and 39 weeks ended December 1, 2018, should be read in conjunction with the Company's unaudited Consolidated Financial Statements and related Notes to Consolidated Financial Statements, which are included in this Quarterly Report on Form 10-Q in Item 1 *Financial Statements*. In addition, the following discussion and analysis of financial condition, results of operations, and liquidity and capital resources should be read in conjunction with the Company's Consolidated Financial Statements as of March 2, 2019, and for the fiscal year then ended, the related Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, all contained in the Annual Report on Form 10-K of Pier 1 Imports, Inc. for the fiscal year ended March 2, 2019.

MANAGEMENT OVERVIEW

Pier 1 Imports, Inc. (together with its consolidated subsidiaries, the "Company") directly imports merchandise from many countries, and sells a wide variety of decorative accessories, furniture, candles, housewares, gifts and seasonal products in retail stores throughout the U.S. and Canada and online at pier1.com. The Company conducts business as one operating segment. As of November 30, 2019, the Company operated 942 stores in the U.S. and Canada. The results of operations for the 13 and 39 weeks ended November 30, 2019 and December 1, 2018, are not indicative of results to be expected for the fiscal year because of, among other things, seasonality factors in the retail business. Historically, the strongest sales of the Company's products have occurred during the holiday season beginning in November and continuing through December.

During the third quarter of fiscal 2020, net sales decreased 13.3% from the prior year third quarter and company comparable sales decreased 11.4% compared to the third quarter of fiscal 2019; the Company estimates that the shift of certain holiday selling days, which were included in last year's fiscal third quarter, negatively impacted the third quarter of fiscal 2020 company comparable sales by approximately 650 basis points. The impact of this timing shift is expected to reverse in the fourth quarter of fiscal 2020. The decline in company comparable sales was primarily a result of lower traffic. Gross profit for the third quarter of fiscal 2020 was \$110.3 million, or 30.8% of sales, compared to \$130.5 million, or 31.6% of sales, in the same period last year, a decrease of 80 basis points. The decrease in gross profit as a percentage of sales primarily reflected increased promotional and clearance activity compared to the same period last year, as well as 190 basis points of deleverage in store occupancy costs due to lower sales. The Company remains on track to realize approximately \$90 million of selling, general and administrative ("SG&A") cost cutting initiatives for fiscal 2020, but continues to incur substantial transformation and advisory costs, which reduced the bottom-line benefit of the progress made in cost cutting during the third quarter of fiscal 2020.

Operating loss for the third quarter of fiscal 2020 was \$53.3 million, or (14.8%) of sales, compared to \$28.9 million, or (7.0%) of sales, for the same period last year. For the third quarter of fiscal 2020, the Company reported a net loss of \$59.0 million, or \$(14.15) per share, which includes transformation costs of approximately \$10 million primarily related to professional fees, and a non-cash charge of \$14.1 million related to impairment of long-lived store assets, compared to a net loss of \$50.4 million, or \$(12.49) per share, for the third quarter of fiscal 2019. Per share figures reflect the Company's 1-for-20 reverse stock split effected on June 20, 2019. EBITDA (earnings before interest, taxes, depreciation and amortization) for the third quarter of fiscal 2020 was \$(41.0) million and includes the transformation costs and impairment charge referred to above. This compares to EBITDA of \$(16.9) million in the same period last year. See "Reconciliation of Non-GAAP Financial Measures" below.

As of November 30, 2019, the Company had \$11.1 million of cash and cash equivalents, \$189.5 million outstanding under its senior secured term loan facility, \$96.0 million of cash borrowings under its \$350 million secured revolving credit facility ("Revolving Credit Facility"), \$50.0 million of borrowings under its first-in, last-out tranche ("FILO Tranche") and \$14.2 million in cash borrowings outstanding under loans secured by Company owned life insurance ("COLI"). See *Note 4* of the *Notes to Consolidated Financial Statements* for additional information.

On November 4, 2019, the Board of Directors of the Company appointed Robert J. Riesbeck to the position of Chief Executive Officer and Mr. Riesbeck was elected as a member of the Board of Directors, effective immediately. Mr. Riesbeck will also continue to serve as the Chief Financial Officer of the Company. Cheryl A. Bachelder, the Company's former Interim Chief Executive Officer, stepped down from the Company and will continue to serve as a member of the Board of Directors. On November 4, 2019, the Board of Directors appointed Donna N. Colaco to serve as President of the Company, effective immediately.

As previously announced, the Company is currently in the process of evaluating a full range of strategic alternatives. That work is ongoing, with no formal conclusion at this time.

In order to better align its business with the current operating environment, the Company intends to reduce its store footprint by up to 450 locations. To reflect the revised store footprint, the Company also plans to close certain distribution centers and reduce its corporate expenses, including headcount. See *Part II, Item 5. Other Information* of this Quarterly Report on Form 10-Q for additional information regarding these actions.

Results of Operations

Management reviews a number of key performance indicators to evaluate the Company's financial performance. The following table summarizes those key performance indicators:

Key Performance Indicators	13 Weeks Ended		39 Weeks Ended	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Total sales decline	(13.3%)	(11.9%)	(14.3%)	(11.3%)
Company comparable sales decline	(11.4%)	(10.5%)	(12.5%)	(10.1%)
Gross profit as a % of sales	30.8%	31.6%	24.5%	30.2%
SG&A expenses as a % of sales	42.2%	35.6%	43.6%	37.6%
Operating loss as a % of sales	(14.8%)	(7.0%)	(22.8%)	(10.8%)
Net loss (in millions)	\$ (59.0)	\$ (50.4)	\$ (241.2)	\$ (130.0)
Net loss as a % of sales	(16.4%)	(12.2%)	(24.7%)	(11.4%)
EBITDA (in millions) ⁽¹⁾	\$ (41.0)	\$ (16.9)	\$ (186.1)	\$ (84.8)
EBITDA as a % of sales ⁽¹⁾	(11.4%)	(4.1%)	(19.0%)	(7.4%)
Total retail square footage (in thousands)	7,447	7,809	7,447	7,809

(1) See "Reconciliation of Non-GAAP Financial Measures."

Company Comparable Sales Calculation — The company comparable sales calculation includes all in-store sales, including orders placed online inside the store, provided that the store was open prior to the beginning of the preceding fiscal year and was still open at period end. In addition, company comparable sales include all orders placed online outside of a store. Remodeled or relocated stores are included if they meet specific criteria. Those criteria include the following: the new store is within a specified distance serving the same market, no significant change in store size, and no significant overlap or gap between the store closing and reopening. Such stores are included in the company comparable sales calculation in the first full month after the reopening. If a relocated or remodeled store does not meet the above criteria, it is excluded from the calculation until it meets the Company's established definition as described above.

Net Sales — Net sales consisted almost entirely of sales to retail customers, net of discounts, returns and sales tax, but also included delivery revenues, wholesale sales and royalties, and gift card breakage. Net sales for the third quarter of fiscal 2020 were \$358.4 million, a decrease of 13.3%, compared to \$413.2 million for the third quarter of fiscal 2019. At the end of the third quarter of fiscal 2020, the Company operated 45 fewer stores than at the end of the third quarter of fiscal 2019. Company comparable sales for the third quarter of fiscal 2020 decreased 11.4%, compared to the third quarter of fiscal 2019. The decline in company comparable sales was primarily a result of lower traffic. Net sales for the year-to-date period of fiscal 2020 were \$977.3 million, a decrease of 14.3%, compared to \$1.140 billion for the same period in fiscal 2019. Company comparable sales for the year-to-date period of fiscal 2020 decreased 12.5%, compared to the same period last year. The decline in company comparable sales was a result of lower average customer spend primarily attributable to changes in the Company's merchandise mix, as well as decreased store traffic. See *Note 6 of the Notes to Consolidated Financial Statements* for additional information.

Sales at the Company's Canadian stores are subject to fluctuations in currency conversion rates. For the third quarter of fiscal 2020, the year-over-year change in the value of the Canadian Dollar, relative to the U.S. Dollar, negatively impacted net sales and company comparable sales by approximately 10 basis points. For the year-to-date period of fiscal 2020, the year-over-year change in the value of the Canadian Dollar, relative to the U.S. Dollar, negatively impacted net sales by approximately 10 basis points and company comparable sales by approximately 20 basis points. Sales on the Pier 1 credit card comprised 30.1% of U.S. sales for the trailing twelve months ended November 30, 2019, compared to 33.2% for the comparable period in fiscal 2019. The Company's proprietary credit card program provides both economic and strategic benefits to the Company.

The decrease in net sales for the period was comprised of the following components (in thousands):

	Net Sales
Net sales for the 39 weeks ended December 1, 2018	\$ 1,140,432
Incremental sales decline from:	
Company comparable sales	(137,883)
New stores opened during fiscal 2020	—
Closed stores and other	(25,219)
Net sales for the 39 weeks ended November 30, 2019	\$ 977,330

A summary reconciliation of the Company's stores open at the beginning of fiscal 2020 to the number open at the end of the third quarter of fiscal 2020 is as follows:

	United States	Canada	Total
Open at March 2, 2019	906	67	973
Openings	—	—	—
Closings	(30)	(1)	(31)
Open at November 30, 2019	876	66	942

Gross Profit — For the third quarter of fiscal 2020, gross profit was \$110.3 million, or 30.8% of sales, compared to \$130.5 million, or 31.6% of sales, for the same period last year, a decrease of 80 basis points. The decrease in gross profit as percentage of sales primarily reflected increased promotional and clearance activity compared to the same period last year, as well as 190 basis points of deleverage in store occupancy costs due to lower sales. For the year-to-date period of fiscal 2020, gross profit was \$239.9 million, or 24.5% of sales, compared to \$344.1 million, or 30.2% of sales, for the same period last year, a decrease of 570 basis points.

SG&A Expenses, Depreciation and Operating Loss — For the third quarter of fiscal 2020, SG&A expenses were \$151.4 million, or 42.2% of sales, compared to \$147.0 million, or 35.6% of sales, for the same period in fiscal 2019. SG&A expenses for the year-to-date period of fiscal 2020 were \$426.3 million, or 43.6% of sales, compared to \$428.7 million, or 37.6% of sales, for the same period in fiscal 2019. For the third quarter and year-to-date period of fiscal 2020, reductions in marketing expenses, compensation for operations and operational expenses were offset by increases in other SG&A and impairment expenses. SG&A expenses for the third quarter and year-to-date period of fiscal 2020 include transformation costs of approximately \$10 million and \$36 million, respectively, primarily related to professional fees. SG&A expenses are summarized in the table below (in millions):

	13 Weeks Ended				39 Weeks Ended			
	November 30, 2019		December 1, 2018		November 30, 2019		December 1, 2018	
	Expense	% of Sales	Expense	% of Sales	Expense	% of Sales	Expense	% of Sales
Compensation for operations	\$ 54.7	15.3%	\$ 61.0	14.8%	\$ 167.1	17.1%	\$ 176.6	15.5%
Operational expenses	14.7	4.1%	19.8	4.8%	51.4	5.3%	60.2	5.3%
Marketing	25.2	7.0%	35.4	8.6%	64.1	6.6%	95.5	8.4%
Other selling, general and administrative	42.7	11.9%	30.8	7.5%	125.0	12.8%	96.4	8.5%
Impairment	14.1	3.9%	-	0.0%	18.7	1.9%	-	0.0%
Total selling, general and administrative	\$ 151.4	42.2%	\$ 147.0	35.6%	\$ 426.3	43.6%	\$ 428.7	37.6%

The Company remains on track to realize approximately \$90 million of SG&A cost cutting initiatives for fiscal 2020, but continues to incur substantial transformation and advisory costs, which reduced the bottom-line benefit of the progress made in cost cutting during the third quarter of fiscal 2020.

Depreciation expense for the third quarter of fiscal 2020 was \$12.2 million, compared to \$12.4 million for the same period last year. Depreciation expense for the year-to-date period of fiscal 2020 was \$36.6 million, compared to \$38.1 million for the same period last year. The decrease was primarily due to certain assets becoming fully depreciated and asset retirements, partially offset by additions.

Operating loss for the third quarter of fiscal 2020 was \$53.3 million, or (14.8%) of sales, compared to \$28.9 million, or (7.0%) of sales, for the same period last year. Operating loss for the year-to-date period of fiscal 2020 was \$222.9 million, or (22.8%) of sales, compared to operating loss of \$122.8 million, or (10.8%) of sales, for the same period last year.

Income Taxes — The income tax provision for the third quarter of fiscal 2020 was \$0.3 million, compared to \$17.9 million during the same period in the prior fiscal year. The effective tax rate for the third quarter of fiscal 2020 was (0.4%), compared to (54.9%) in the same period during fiscal 2019. The income tax provision for the first 39 weeks of fiscal 2020 was \$3.0 million, compared to an income tax benefit of \$2.3 million during the same period in the prior fiscal year. The effective tax rate for the first 39 weeks of fiscal 2020 was (1.2%), compared to 1.8% for the same period during fiscal 2019. The change in income tax provision for the third quarter of fiscal 2020 compared to the third quarter of fiscal 2019 primarily relates to valuation allowances established in fiscal year 2019. During the second quarter of fiscal 2020, the Company recorded an additional valuation allowance of \$2.6 million related to certain state jurisdictions based upon the determination that it was not more likely than not that such assets would be realized. See *Note 7 of the Notes to Consolidated Financial Statements* for additional information.

Net Loss and EBITDA — For the third quarter of fiscal 2020, the Company reported a net loss of \$59.0 million, or \$(14.15) per share, which includes transformation costs of approximately \$10 million primarily related to professional fees and a non-cash charge of \$14.1 million related to impairment of long-lived store assets. This compares to a net loss of \$50.4 million, or \$(12.49) per share, for the same period in fiscal 2019. For the first 39 weeks of fiscal 2020, the Company reported a net loss of \$241.2 million, or \$(58.36) per share, which includes transformation costs of approximately \$36 million primarily related to professional fees and a non-cash charge of \$18.7 million related to impairment of long-lived store assets. This compares to a net loss of \$130.0 million, or \$(32.31) per share, for the same period in fiscal 2019. Per share figures reflect the Company's 1-for-20 reverse stock split effected on June 20, 2019. EBITDA for the third quarter of fiscal 2020 was \$(41.0) million, compared to \$(16.9) million for the same period in fiscal 2019. For the first 39 weeks of fiscal 2020, EBITDA was \$(186.1) million, compared to \$(84.8) million, for the same period last year. EBITDA for the third quarter and first 39 weeks of fiscal 2020 includes the transformation costs and impairment charges referred to above. See *"Reconciliation of Non-GAAP Financial Measures"* below.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The Company reports its financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). This Quarterly Report on Form 10-Q references EBITDA, a non-GAAP financial measure.

The Company believes that EBITDA allows management and investors to understand and compare results in a more consistent manner for the 13-week and 39-week periods ended November 30, 2019 and December 1, 2018. Non-GAAP financial measures should be considered supplemental and not a substitute for the Company's results reported in accordance with GAAP for the periods presented.

EBITDA represents earnings before interest, taxes, depreciation and amortization. Management believes EBITDA is a meaningful indicator of the Company's performance which provides useful information to investors regarding its financial condition and results of operations. Management uses EBITDA, together with financial measures prepared in accordance with GAAP, to assess the Company's operating performance, to enhance its understanding of core operating performance and to compare the Company's operating performance to other retailers. EBITDA should not be considered in isolation or used as an alternative to GAAP financial measures and does not purport to be an alternative to net income (loss) as a measure of operating performance. A reconciliation of net loss to EBITDA is shown below (in millions).

	13 Weeks Ended				39 Weeks Ended			
	November 30, 2019		December 1, 2018		November 30, 2019		December 1, 2018	
	\$ Amount	% of Sales	\$ Amount	% of Sales	\$ Amount	% of Sales	\$ Amount	% of Sales
Net loss (GAAP)	\$ (59.0)	(16.4%)	\$ (50.4)	(12.2%)	\$ (241.2)	(24.7%)	\$ (130.0)	(11.4%)
Add back: Income tax provision (benefit)	0.3	0.1%	17.9	4.3%	3.0	0.3%	(2.3)	(0.2%)
Interest expense, net	5.5	1.5%	3.3	0.8%	15.6	1.6%	9.5	0.8%
Depreciation	12.2	3.4%	12.4	3.0%	36.6	3.7%	38.1	3.4%
EBITDA (non-GAAP)	\$ (41.0)	(11.4%)	\$ (16.9)	(4.1%)	\$ (186.1)	(19.0%)	\$ (84.8)	(7.4%)

LIQUIDITY AND CAPITAL RESOURCES

The Company ended the third quarter of fiscal 2020 with \$11.1 million in cash and cash equivalents, compared to \$54.9 million at the end of fiscal 2019 and \$71.1 million at the end of the third quarter of fiscal 2019. The decrease from the end of fiscal 2019 was primarily the result of cash used in operating activities of \$145.9 million and the utilization of cash to fund the Company's capital expenditures of \$10.1 million, partially offset by net cash borrowings of \$96.0 million under the Revolving Credit Facility and \$14.2 million under COLI loans.

Cash Flows from Operating Activities

During the first 39 weeks of fiscal 2020, operating activities used \$145.9 million of cash, primarily as a result of a net loss of \$241.2 million, partially offset by adjustments for non-cash items.

Cash Flows from Investing Activities

During the first 39 weeks of fiscal 2020, investing activities used \$7.3 million of cash, which were primarily related to capital expenditures of \$10.1 million deployed toward technology and infrastructure initiatives and existing stores, partially offset by net restricted investment activity. Of those capital expenditures, \$1.8 million related to timing differences between receipt of fixed asset purchases and cash payment of invoices. Capital spend in fiscal 2020 is expected to be approximately \$15 million.

Cash Flows from Financing Activities

During the first 39 weeks of fiscal 2020, financing activities provided \$109.3 million of cash, primarily resulting from net cash borrowings of \$96.0 million under the Revolving Credit Facility and \$14.2 million under COLI loans.

Revolving Credit Facility

The Company has a \$350 million secured revolving credit facility that matures on June 2, 2022. Credit extensions under the Revolving Credit Facility are limited to the lesser of \$350.0 million or the amount of the calculated borrowing base, as defined in the Revolving Credit Facility, which was \$301.0 million as of November 30, 2019. The Company had \$96.0 million in cash borrowings and \$46.5 million in letters of credit outstanding under the Revolving Credit Facility, with \$158.5 million remaining available for cash borrowings, all as of November 30, 2019.

The Revolving Credit Facility includes a \$50 million FILO Tranche. The FILO Tranche expands the Revolving Credit Facility to \$400 million and modifies the borrowing base. As of November 30, 2019, the Company had \$50.0 million outstanding under the FILO Tranche with a carrying value of \$49.1 million, net of debt issuance costs. See Note 4 of the Notes to Consolidated Financial Statements for additional information.

On January 6, 2020, the Company received consent from its lenders under the Revolving Credit Facility to permit the reduction to the store footprint and related actions.

Term Loan Facility

The Company has a senior secured term loan facility that matures on April 30, 2021 ("Term Loan Facility"). As of November 30, 2019, the Company had \$189.5 million outstanding under the Term Loan Facility with a carrying value of \$188.4 million, net of unamortized discounts and debt issuance costs. See *Note 4* of the *Notes to Consolidated Financial Statements* for additional information.

Company Owned Life Insurance Loans

During the second quarter of fiscal 2020, the Company entered into loans secured by COLI policies on former key executives. As of November 30, 2019, the Company had \$14.2 million in cash borrowings outstanding under the COLI loans. The loans will mature when the related policies become payable in accordance with the provisions of the policy. See *Note 4* of the *Notes to Consolidated Financial Statements* for additional information.

Sources of Working Capital

The Company's sources of working capital include cash from operations, available cash balances, the COLI policies and, as needed, borrowings against the Company's Revolving Credit Facility. The Company's key drivers of cash flows are sales, management of inventory levels, vendor payment terms, management of expenses and capital expenditures.

Given the Company's current cash position, expected operating cash flows and borrowings available under the Revolving Credit Facility, the Company has substantial doubt regarding its ability to have sufficient liquidity to fund its obligations and working capital needs through the next 12 months.

However, the Company is taking a number of actions to support its ongoing transformation including cost cutting, lowering capital expenditures, seeking additional capital and reducing its store footprint including related distribution centers and corporate headquarter support. The Company will continue to seek reductions in rental obligations with landlords in its determination of the appropriate footprint.

The consolidated financial statements for the 13 and 39 weeks ended November 30, 2019, have been prepared assuming that the Company will continue as a going concern. The consolidated financial statements do not include any adjustments that may result from the outcome of this going concern uncertainty as the Company believes that completion or substantial completion of the actions discussed above would alleviate or eliminate the substantial doubt. However, as the actions above have not been finalized or fully executed as of the date of this report, they cannot be deemed probable of mitigating substantial doubt. Accordingly, substantial doubt is deemed to exist about the Company's ability to continue as a going concern.

If the Company's independent registered public accounting firm includes a qualification or exception regarding the Company's ability to continue as a going concern in its audit report and opinion regarding the Company's annual consolidated financial statements, without an amendment from its lenders, an event of default under existing debt agreements would be triggered.

IMPACT OF INFLATION

Inflation has not had a significant impact on the operations of the Company. However, the Company's management cannot be certain of the effect inflation may have on the Company's operations in the future.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The Company is a smaller reporting company and is not required to provide the information under this item.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed by Pier 1 Imports, Inc. in its reports filed or furnished under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the management, of Pier 1 Imports, Inc. including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, an evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of November 30, 2019. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded, with reasonable assurance, that the Company's disclosure controls and procedures were effective as of such date.

There has not been any change in the Company's internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

See the discussion of pending legal proceedings in *Note 8* of the *Notes to Consolidated Financial Statements*.

Item 1A. Risk Factors.

In addition to the other information in this report, carefully consider the discussion under “Risk Factors” in Item 1A of the Company’s Annual Report on Form 10-K for the fiscal year ended March 2, 2019 (“FY2019 10-K”) and in subsequent Quarterly Reports on Form 10-Q (“FY2020 10-Qs”). The Company has described, in the FY2019 10-K, the primary risks related to its business and securities, and periodically updates those risks for material developments. Provided below are material changes to the Company’s risk factors as previously disclosed in the FY2019 10-K and in FY2020 10-Qs.

Uncertainties regarding the Company’s ability to successfully address its financial challenges result in the existence of “substantial doubt” regarding the Company’s ability to continue as a going concern within one year after the date of this Quarterly Report on Form 10-Q.

The Company has experienced significant net losses and negative cash flows from operating activities and cannot offer assurance that such losses and negative cash flows will not continue for the foreseeable future. Cash and cash equivalents, forecasted cash flows from operations and currently committed sources of financing are not expected to be sufficient to meet the Company’s obligations and working capital needs projected to exist over the 12 months following the date of this Quarterly Report on Form 10-Q without additional borrowings above what would be available under the Company’s existing credit agreements, assuming no intervening defaults in those obligations.

The Company is addressing its current and anticipated financial requirements and evaluating its strategic alternatives. In addition, while management analyzes these strategic alternatives, the Company is also seeking additional capital and undertaking operational measures that are expected to enhance its cash position and improve profitability.

The Company can provide no assurance regarding the outcome of its evaluation of strategic alternatives, that additional capital will be available on acceptable terms or that the operational measures being undertaken by the Company are probable of success in materially improving the Company’s financial performance.

As a result of these uncertainties, and in the absence of assurance that the Company’s actions to address them are probable of success, there is substantial doubt regarding the Company’s ability to continue as a going concern within one year after the date of this Current Report on Form 10-Q. For additional information, see *Note 10* of the *Notes to Consolidated Financial Statements*.

The occurrence of a default under any of the Company’s credit facilities, including any default resulting from its auditors’ qualification of their opinion on the fiscal year 2020 financial statements, will allow its lenders to exercise remedies under their credit agreements.

The Company is currently in compliance with requirements of its Revolving Credit Facility and Term Loan Facility. An event of default under the Revolving Credit Facility or Term Loan Facility that is not cured by the Company or waived by the lenders would permit, among other remedies, acceleration of the Company’s indebtedness and the exercise by the lenders of the other remedies under the agreements governing the indebtedness. An event of default under one of the credit facilities will also constitute an event of default under the other credit facility, subject to customary grace periods and conditions, allowing its lenders to accelerate the Company’s obligations and exercise their remedies.

If the Company’s independent registered public accounting firm includes a qualification or exception regarding the Company’s ability to continue as a going concern in its audit report and opinion regarding the Company’s annual consolidated financial statements, without an amendment from its lenders, an event of default under the Revolving Credit Facility and the Term Loan Facility will be triggered.

There can be no assurance that the lenders of the Company’s Revolving Credit Facility and Term Loan Facility will provide consent to waive any defaults that may occur thereunder on any future occasion that the Company may be in default under the terms of those obligations or refrain from exercising the full extent of the remedies available under the terms of their agreements, which include taking possession of the Company’s assets that constitute their collateral, including its cash and inventory and forcing the sale of such collateral, among others.

Actions taken to improve the Company's financial performance, including the closure of significant numbers of stores are not without substantial risk and may not deliver the intended benefits.

The Company is evaluating a number of strategies to improve its financial performance, including the potential closing of up to 450 stores based on a comprehensive evaluation of the Company's store portfolio, including historical and recent store performance, the timing of lease expirations, landlord responses to requests to negotiate more favorable lease terms and other factors. While these actions are expected to benefit the Company in the future, these actions are not without substantial risk to the Company and may not deliver the full benefits anticipated at the time such actions are taken.

The Company must regain compliance with New York Stock Exchange requirements for the continued listing of its common stock.

On August 5, 2019, the Company received notice ("Notice") from the New York Stock Exchange ("NYSE") that it was no longer in compliance with NYSE continued listing standards set forth in Section 802.01B of the NYSE's Listed Company Manual due to the fact that the Company's average global market capitalization over a consecutive 30 trading-day period was less than \$50 million and, at the same time, its shareholders' equity was less than \$50 million.

The Company submitted a plan to the NYSE setting forth the actions intended to be taken by the Company to return to conformity with Section 802.01B within 18 months of the date of the Notice. The NYSE accepted the Company's plan, allowing the Company's common stock to continue to be listed and traded on the NYSE during a cure period of 18 months from the date of the Notice, subject to the Company's compliance with the plan and other continued listing standards. The Company is subject to quarterly monitoring by the NYSE for compliance with the plan. If the Company fails to comply with the plan or does not meet continued listing standards at the end of the allowed cure period, it will be subject to the prompt initiation of NYSE suspension and delisting procedures.

The Company's common stock will continue to be listed and traded on the NYSE under the common stock trading symbol "PIR", subject to the Company's continued compliance with the plan and other listing requirements of the NYSE. However, until the NYSE determines that the Company has regained compliance, the common stock trading symbol will have an added designation of ".BC" to indicate that the status of the common stock is "below compliance" with the NYSE continued listing standards.

The Notice and compliance with the plan do not affect the Company's business operations or its reporting obligations with the Securities and Exchange Commission, and it do not conflict with or cause an event of default under any of the Company's material debt or other agreements. Failure to maintain the Company's NYSE listing could negatively impact the Company and its shareholders by reducing the willingness of investors to hold the Company's common stock because of the resulting decreased price, liquidity and trading of the Company's common stock, limited availability of price quotations, and reduced news and analyst coverage. These developments may also require brokers trading in the Company's common stock to adhere to more stringent rules and may limit the Company's ability to raise capital by issuing additional shares in the future. Delisting may adversely impact the perception of the Company's financial condition, and cause reputational harm with investors and parties conducting business with the Company. In addition, the perceived decreased value of employee equity incentive awards may reduce their effectiveness in encouraging performance and retention.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information with respect to purchases of common stock of Pier 1 Imports, Inc. made during the 13 weeks ended November 30, 2019, by Pier 1 Imports, Inc. or any "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Exchange Act:

Period	Total Number of Shares Purchased	Average Price Paid per Share (including fees)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Sep 1, 2019 through Oct 5, 2019	—	\$ —	—	\$26,610,135
Oct 6, 2019 through Nov 2, 2019	—	—	—	26,610,135
Nov 3, 2019 through Nov 30, 2019	—	—	—	26,610,135
	—	\$ —	—	\$26,610,135

The Company discontinued share repurchases in April 2018. No share repurchases were made during fiscal 2020As of November 30, 2019, \$26.6 million remained available for further share repurchases of common stock under the \$200 million board-approved share repurchase program announced onApril 10, 2014. There is no expiration date on the current authorization.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Entry into a Material Definitive Agreement.

On January 6, 2020, the Company, through its subsidiary Pier 1 Imports (U.S.), Inc., entered into a Consent to the Second Amended and Restated Credit Agreement with Bank of America, N.A., as administrative agent and collateral agent, Pathlight Capital Fund I LP, as ABL term loan agent and the lenders party thereto (the "Consent"), which evidences the consent of the lenders to permit the reduction of the Company's store footprint and related actions.

Costs Associated with Exit or Disposal Activities.

On January 6, 2020, the Board of Directors of the Company approved a plan that contemplates the closure of up to 450 stores in order to better align its business with the current operating environment. To reflect the revised store footprint, the Company also plans to close certain distribution centers and reduce its corporate expenses, including headcount. The Company is currently unable in good faith to make a determination of an estimate of the amount or range of amounts of charges expected to be incurred in connection with these actions.

Material Impairments.

As disclosed above, the Board of Directors of the Company has approved a plan that contemplates the closure of up to 450 stores and certain distribution centers and other actions to reduce corporate expenses. These actions may result in material non-cash charges for impairment of the Company's long-lived assets associated with these stores and distribution centers. The Company is currently unable in good faith to make a determination of an estimate of the amount or range of amounts of charges that may be incurred in connection with these actions or an estimate of the amount or range of amounts of the impairment charges that may result in future cash expenditures.

Item 6. Exhibits.

Exhibit No.	Description
3.1	<u>Restated Certificate of Incorporation of Pier 1 Imports, Inc. as filed with the Delaware Secretary of State on October 12, 2009, incorporated herein by reference to Exhibit 3(i) to the Company's Form 10-Q for the quarter ended November 28, 2009 (File No. 001-07832).</u>
3.2	<u>Certificate of Amendment to the Company's Restated Articles of Incorporation filed with the Delaware Secretary of State on June 19, 2019 to be effective June 20, 2019, incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 19, 2019 (File No. 001-07832).</u>
3.3	<u>Amended and Restated Bylaws of Pier 1 Imports, Inc. (as amended through June 20, 2014), incorporated herein by reference to Exhibit 3.1 to the Company's Form 8-K filed on June 24, 2014 (File No. 001-07832).</u>
10.1+	<u>Form of Promotion Bonus Repayment Agreement incorporated herein by reference to Exhibit 99.1 to the Company's Form 8-K filed on November 4, 2019 (File No. 001-07832)</u>
10.2+	<u>CEO Employment Term Sheet summarizing compensation to be received by Robert J. Riesbeck in the capacity as the Chief Executive Officer and Chief Financial Officer of Pier 1 Imports, Inc. incorporated herein by reference to Exhibit 99.2 to the Company's Form 8-K filed on November 4, 2019 (File No. 001-07832)</u>
10.3+	<u>President Employment Term Sheet summarizing compensation to be received by Donna N. Colaco in the capacity as the President of Pier 1 Imports, Inc. incorporated herein by reference to Exhibit 99.3 to the Company's Form 8-K filed on November 4, 2019 (File No. 001-07832).</u>
31.1*	<u>Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).</u>
31.2*	<u>Certification of the Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).</u>
32.1**	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
*	<i>Filed herewith</i>
**	<i>Furnished herewith</i>
+	<i>Management Contracts and Compensatory Plans</i>

SIGNATURES

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

PIER 1 IMPORTS, INC.

Date: January 6, 2020

By: /s/ Robert J. Riesbeck
Robert J. Riesbeck,
Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

Date: January 6, 2020

By: /s/ Darla D. Ramirez
Darla D. Ramirez,
Principal Accounting Officer

Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)

I, Robert J. Riesbeck, certify that:

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

Date: January 6, 2020

By: /s/ Robert J. Riesbeck
Robert J. Riesbeck, Chief Executive Officer and Chief Financial Officer

Certification of the Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)

I, Robert J. Riesbeck, certify that:

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

Date: January 6, 2020

By: /s/ Robert J. Riesbeck
 Robert J. Riesbeck, Chief Executive Officer and Chief Financial Officer

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Each of the undersigned officers of Pier 1 Imports, Inc., hereby certifies that:

1. The Quarterly Report on Form 10-Q of Pier 1 Imports, Inc. for the period ended November 30, 2019, fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the above-mentioned report fairly presents, in all material respects, the financial condition and results of operations of Pier 1 Imports, Inc. for the period covered by the report.

Date: January 6, 2020

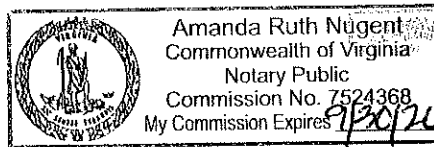
By: /s/ Robert J. Riesbeck
Robert J. Riesbeck, Chief Executive Officer
and Chief Financial Officer

TAB E

**This is Exhibit "E" to the Affidavit of Robert J.
Riesbeck sworn before me this 18th day of February
2020**

Amanda Ruth Nugent

Notary Public in and for the State of Virginia



THIS PLAN SUPPORT AGREEMENT IS NOT AN OFFER OR ACCEPTANCE WITH RESPECT TO ANY SECURITIES OR A SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE. NOTHING CONTAINED IN THIS PLAN SUPPORT AGREEMENT SHALL BE AN ADMISSION OF FACT OR LIABILITY OR, UNTIL THE OCCURRENCE OF THE AGREEMENT EFFECTIVE DATE ON THE TERMS DESCRIBED HEREIN, DEEMED BINDING ON ANY OF THE PARTIES HERETO.

PLAN SUPPORT AGREEMENT

This PLAN SUPPORT AGREEMENT (including all exhibits, annexes, and schedules hereto in accordance with Section 14.02, this “**Agreement**”) is made and entered into as of February 16, 2020 (the “**Execution Date**”), by and among the following parties (each of the following described in sub-clauses (i) through (ii) of this preamble, collectively, the “**Parties**”):¹

- i. Pier 1 Imports, Inc. a company incorporated under the Laws of Delaware (“**Pier 1**”), and each of its direct subsidiaries listed on **Exhibit A** to this Agreement that have executed and delivered counterpart signature pages to this Agreement to counsel to the Consenting Term Lenders (the Entities in this clause (i), collectively, the “**Company Parties**”); and
- ii. the undersigned holders of Term Loan Claims that have executed and delivered counterpart signature pages to this Agreement, a Joinder, or a Transfer Agreement to counsel to the Company Parties (collectively, the “**Consenting Term Lenders**”).

¹ Capitalized terms used but not defined in the preamble and recitals to this Agreement have the meanings ascribed to them in Section 1.

RECITALS

WHEREAS, the Company Parties and the Consenting Term Lenders have negotiated certain transactions with respect to the Company Parties on the terms set forth in this Agreement and as will be specified in a chapter 11 plan to be negotiated as set forth herein (the “**Plan**”), and in the bidding procedures related to a potential sale of assets, attached as **Exhibit B** hereto (as may be amended, modified, waived, or supplemented in accordance herewith, the “**Bidding Procedures**,” such transactions as described in this Agreement, the Plan, and the Bidding Procedures the “**Transactions**”);

WHEREAS, the Company Parties intend to implement the Transactions, including through the commencement of voluntary cases under chapter 11 of the Bankruptcy Code in the Bankruptcy Court (the “**Chapter 11 Cases**”); and

WHEREAS, the Parties have agreed to take certain actions in support of the Transactions on the terms and conditions set forth in this Agreement, the Plan, and the Bidding Procedures;

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Party, intending to be legally bound hereby, agrees as follows:

AGREEMENT

Section 1. *Definitions and Interpretation.*

1.01. **Definitions.** The following terms shall have the following definitions:

“**Administrative Claims Cap**” means the dollar amount of payments of Administrative and Priority Claims (as defined in the Plan) the Consenting Term Lenders will consent to be paid pursuant to the Plan.

“**Agreement**” has the meaning set forth in the preamble to this Agreement and, for the avoidance of doubt, includes all the exhibits, annexes, and schedules hereto in accordance with Section 14.02.

“**Agreement Effective Date**” means the date on which the conditions set forth in Section 2 have been satisfied or waived by the appropriate Party or Parties in accordance with this Agreement.

“**Agreement Effective Period**” means, with respect to a Party, the period from the Agreement Effective Date to the Termination Date applicable to that Party.

“**Alternative Transaction**” means any transaction not described by this Agreement, the Plan, and the Bidding Procedures proposed to the Company related to a debt or operational restructuring of the Company by any party.

“Bankruptcy Code” means title 11 of the United States Code, 11 U.S.C. §§ 101–1532, as amended.

“Bankruptcy Court” means the United States Bankruptcy Court in which the Chapter 11 Cases are commenced or another United States Bankruptcy Court with jurisdiction over the Chapter 11 Cases.

“Bidding Procedures” has the meaning set forth in the recitals to this Agreement.

“Business Day” means any day other than a Saturday, Sunday, or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state of New York.

“Chapter 11 Cases” has the meaning set forth in the recitals to this Agreement.

“Claim” has the meaning ascribed to it in section 101(5) of the Bankruptcy Code.

“Company Parties” has the meaning set forth in the recitals to this Agreement.

“Confidentiality Agreement” means an executed confidentiality agreement or confidentiality agreement provided for in the Term Loan Credit Agreement, including with respect to the issuance of a “cleansing letter” or other public disclosure, or disclosure to the “Private Side” lender site, as defined in the Term Loan Credit Agreement, of material non-public information, in connection with any proposed Transactions.

“Confirmation Order” means the confirmation order with respect to the Plan.

“Consenting Term Lenders” has the meaning set forth in the preamble to this Agreement.

“Debtors” means the Company Parties that commence Chapter 11 Cases.

“Definitive Documents” means the documents listed in Section 3.01.

“Disclosure Statement” means the related disclosure statement with respect to the Plan.

“Disclosure Statement Motion” means a motion filed with the Bankruptcy Court seeking, among other relief, approval of (i) the Disclosure Statement, (ii) a schedule of hearings related to the Plan confirmation process, and (iii) certain notices related thereto, and granting related relief.

“Entity” shall have the meaning set forth in section 101(15) of the Bankruptcy Code.

“Equitization Restructuring” means any Transaction whereby the New Pier 1 Interests are distributed to holders of existing Term Loan Claims pursuant to the Plan.

“Equity Interests” means, collectively, the shares (or any class thereof), common stock, preferred stock, limited liability company interests, and any other equity, ownership, or profits

interests of any Company Party, and options, warrants, rights, or other securities or agreements to acquire or subscribe for, or which are convertible into the shares (or any class thereof) of, common stock, preferred stock, limited liability company interests, or other equity, ownership, or profits interests of any Company Party (in each case whether or not arising under or in connection with any employment agreement).

“Execution Date” has the meaning set forth in the preamble to this Agreement.

“First Day Pleadings” means the first-day pleadings that the Company Parties determine are necessary or desirable to file.

“Interim Period DIP Budget” means that portion of the budget contemplated in the DIP Documents covering the period of time between the Petition Date and March 23, 2020.

“Law” means any federal, state, local, or foreign law (including common law), statute, code, ordinance, rule, regulation, order, ruling, or judgment, in each case, that is validly adopted, promulgated, issued, or entered by a governmental authority of competent jurisdiction (including the Bankruptcy Court).

“Lender Election” means, in the event the Company Parties do not receive Qualified Bids (as defined in the Bidding Procedures) greater than or equal in value to the Reserve Price, the Required Consenting Term Lenders’ election to pursue (a) an Equitization Restructuring and cancellation of the Auction (as defined in the Bidding Procedures), or (b) an Auction as contemplated in Section 4 of this Agreement.

“New Pier 1 Interests” means equity interests in Reorganized Pier 1.

“Parties” has the meaning set forth in the preamble to this Agreement.

“Permitted Transferee” means each transferee of any Term Loan Claims who meets the requirements of Section 8.05.

“Petition Date” means the first date any of the Company Parties commences a Chapter 11 Case.

“Plan” has the meaning set forth in the recitals to this Agreement.

“Plan Effective Date” means the occurrence of the effective date of the Plan according to its terms.

“Plan Supplement” means the compilation of documents and forms of documents, schedules, and exhibits to the Plan that will be filed by the Debtors with the Bankruptcy Court.

“Qualified Marketmaker” means an entity that (a) holds itself out to the public or the applicable private markets as standing ready in the ordinary course of business to purchase from customers and sell to customers Company Claims/Interests (or enter with customers into long and short positions in Term Loan Claims), in its capacity as a dealer or market maker in Term

Loan Claims and (b) is, in fact, regularly in the business of making a market in claims against issuers or borrowers (including debt securities or other debt).

“Reorganized Pier 1” means the Company, as reorganized pursuant to and under the Plan, or any successor thereto.

“Required Consenting Term Lenders” means, as of the relevant date, Consenting Term Lenders holding more than 50.00% of the aggregate outstanding principal amount of Term Loan Claims that are held by Consenting Term Lenders.

“Reserve Price” means the value, taking into account the Claims Estimation, at which the Term Loan Lenders would receive a cash recovery of \$104.7 million² (*i.e.* 55 cents on the dollar) on account of the Term Loan Claims.

“Rules” means Rule 501(a)(1), (2), (3), and (7) of the Securities Act.

“Sale Transaction” means a sale of some or all of the Debtors’ assets in accordance with the Bidding Procedures and Plan.

“Securities Act” means the Securities Act of 1933, as amended.

“Term Loan” means loans outstanding under the Term Loan Credit Agreement.

“Term Loan Agent” means any administrative agent, collateral agent, or similar Entity under the Term Loan, including any successors thereto.

“Term Loan Claims” means any Claim on account of the Term Loan.

“Term Loan Credit Agreement” means that certain Term Loan Credit Agreement, dated April 30, 2014, between Pier 1 Imports (U.S.), Inc., as lead borrower, the other facility guarantors party thereto, Wilmington Savings Fund Society, FSB, as successor administrative agent, and certain financial institutions, as lenders, as may be amended, supplemented, modified, refinanced, replaced, or extended.

“Term Loan Credit Documentation” means collectively, the Term Loan Credit Agreement and the other documents and instruments related thereto (including, without limitation, the notes, guarantees, collateral documents, amendments, and fee letters entered into in connection therewith).

“Term Loan Lenders” means the lenders to the Term Loan Credit Agreement.

“Termination Date” means the date on which termination of this Agreement as to a Party is effective in accordance with Sections 11.01, 11.02, 11.03, or 11.04.

“Transactions” has the meaning set forth in the recitals to this Agreement.

² **Note to Draft:** Subject to ongoing review and discussions among Guggenheim and FTI.

“**Transfer**” means to sell, resell, reallocate, use, pledge, assign, transfer, hypothecate, participate, donate or otherwise encumber or dispose of, directly or indirectly (including through derivatives, options, swaps, pledges, forward sales or other transactions).

“**Transfer Agreement**” means an executed form of the transfer agreement providing, among other things, that a transferee is bound by the terms of this Agreement and substantially in the form attached hereto as **Exhibit C**.

“**Wind-Down Budget**” shall have the meaning set forth in the Plan and be reasonably acceptable to both the Company Parties and the Required Consenting Term Lenders. For the avoidance of doubt, the Wind-Down Budget (and any provisions in this Agreement with respect thereto) shall (i) only be of any force and effect with respect to the actual costs associated with winding down the Company’s chapter 11 estate, (2) shall be determined on the timeline set forth herein, and (c) once in place, shall replace any then-existing applicable 13-week cash forecast.

1.02. Interpretation. For purposes of this Agreement:

This Agreement is the product of negotiations among the Parties, and the enforcement or interpretation hereof is to be interpreted in a neutral manner, and any presumption with regard to interpretation for or against any Party by reason of that Party having drafted or caused to be drafted this Agreement or any portion hereof shall not be effective in regard to the interpretation hereof.

(a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender;

(b) capitalized terms defined only in the plural or singular form shall nonetheless have their defined meanings when used in the opposite form;

(c) unless otherwise specified, any reference herein to a contract, lease, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;

(d) unless otherwise specified, any reference herein to an existing document, schedule, or exhibit shall mean such document, schedule, or exhibit, as it may have been or may be amended, restated, supplemented, or otherwise modified from time to time; provided that any capitalized terms herein which are defined with reference to another agreement, are defined with reference to such other agreement as of the date of this Agreement, without giving effect to any termination of such other agreement or amendments to such capitalized terms in any such other agreement following the date hereof;

(e) unless otherwise specified, all references herein to “Sections” are references to Sections of this Agreement;

(f) the words “herein,” “hereof,” and “hereto” refer to this Agreement in its entirety rather than to any particular portion of this Agreement;

(g) captions and headings to Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Agreement;

(h) references to “shareholders,” “directors,” and/or “officers” shall also include “members” and/or “managers,” as applicable, as such terms are defined under the applicable limited liability company Laws;

(i) the use of “include” or “including” is without limitation, whether stated or not;

(j) the phrase “counsel to the Consenting Term Lenders” refers in this Agreement to each counsel specified in Section 14.10 other than counsel to the Company Parties; and

(k) unless otherwise specified herein, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply.

Section 2. *Effectiveness of this Agreement.* This Agreement shall become effective and binding upon each of the Parties at 12:00 a.m., prevailing Eastern Standard Time, on the Agreement Effective Date, which is the date on which all the following conditions have been satisfied or waived in accordance with this Agreement:

(a) each of the Company Parties shall have executed and delivered counterpart signature pages of this Agreement to counsel to each of the Parties; and

(b) holders of at least sixty-three point eight (63.8) percent of the aggregate outstanding principal amount of Term Loans shall have executed and delivered counterpart signature pages of this Agreement.

Section 3. *Definitive Documents.*

3.01. The Definitive Documents governing the Transactions shall include the following: (a) the Plan; (b) the Confirmation Order; (c) the Disclosure Statement; (d) the order of the Bankruptcy Court approving the Disclosure Statement and the other Solicitation Materials; (e) the First Day Pleadings and all orders sought pursuant thereto; (f) the Plan Supplement, (g) any motion seeking approval of the Company Parties’ incurrence of postpetition financing and all agreements, documents, budgets, interim and final orders, and/or amendments in connection therewith (collectively, the “**DIP Documents**” and the budget(s) provided in the DIP Documents (and all amendments thereto), the “**DIP Budget**”); (h) the Wind-Down Budget; and (i) any motion seeking approval of bidding procedures and/or a sale of some or all of the Company Parties’ assets and all agreements, documents, orders, and/or amendments in connection therewith, including the Bidding Procedures, (collectively, the “**Sale Documents**”).

3.02. The Definitive Documents not executed or in a form attached to this Agreement as of the Execution Date remain subject to negotiation and completion. Upon completion, the Definitive Documents and every other document, deed, agreement, filing, notification, letter or

instrument related to the Transactions, or any amendments thereto, shall contain terms, conditions, representations, warranties, and covenants consistent with the terms of this Agreement, as they may be modified, amended, or supplemented in accordance with Section 13. Further, the Definitive Documents not executed or in a form attached to this Agreement as of the Execution Date (including, for the avoidance of doubt, the DIP Documents and any and all updated budgets related thereto) shall otherwise be in form and substance reasonably acceptable to the Company Parties and the Required Consenting Term Lenders.

Section 4. *Milestones*³

On and after the Agreement Effective Date, the Company Parties shall use commercially reasonable efforts to implement the Transaction in accordance with the following milestones (the “**Milestones**”), as applicable, unless extended or waived in writing (which may be by electronic mail between applicable counsel) by the Company Parties and the Required Consenting Term Lenders. For the avoidance of doubt, nothing in these Milestones shall prevent the Debtors from exercising their respective fiduciary duties under applicable law:

(a) no later than 11:59 p.m. (prevailing Eastern time) on February 17, 2020, the Company Parties shall have commenced the Chapter 11 Cases in the Bankruptcy Court and shall have filed a motion for approval of the Bidding Procedures and assumption of this Agreement, consistent in all respects with this Agreement;

(b) no later than 11:59 p.m. (prevailing Eastern time) on February 18, 2020, the Debtors will have sought first day relief and the Bankruptcy Court shall have entered an order (i) providing interim approval of the applicable DIP Documents, (ii) approving the Bidding Procedure and (iii) approving assumption of this Agreement;

(c) as soon as reasonably practicable, but in no event later than seven (7) days after the Petition Date, the Company Parties shall have filed the Plan, the Disclosure Statement, and the Disclosure Statement Motion, each in form and substance reasonably acceptable to the Required Consenting Term Lenders;

(d) as soon as reasonably practicable, but in no event later than March 13, 2020, the Bankruptcy Court shall have entered the final order approving the applicable DIP Documents;

(e) as soon as reasonably practicable, but in no event later than three (3) Business Days prior to the first scheduled hearing on the Disclosure Statement Motion, the Company Parties and the Required Consenting Term Lenders shall agree to the Administrative Claims Cap⁴;

³ The date of each Milestone provided for in this Section 4 shall be calculated in accordance with Rule 9006 of the Federal Rules of Bankruptcy Procedure. Each Milestone may be extended or modified by agreement (which may be via e-mail) between counsel to the Company Parties and counsel to the Consenting Term Lenders.

⁴ For the avoidance of doubt, notwithstanding anything in this Agreement, the Debtors’ professionals, and any professionals of the official committee of unsecured creditors appointed in the Chapter 11 Cases, shall be required to file retention papers and fee applications with the Bankruptcy Court, and the Consenting Term Lenders reserve all rights to review and object to any such retentions or payments in accordance with applicable laws.

(f) as soon as reasonably practicable, but in no event later than March 20, 2020, the Bankruptcy Court shall have entered the Disclosure Statement Order;

(g) the Bid Deadline in the Bidding Procedures shall be no later than 5:00 p.m. (prevailing Eastern time) on March 23, 2020;

(h) in the event that the Company Parties do not receive a Qualified Bid greater than or equal in value to the Reserve Price, then no later than 11:59 p.m. (prevailing Eastern time) on the date that is four (4) Business Days following the Bid Deadline, the Consenting Term Lenders shall notify the Company Parties (via electronic mail through applicable counsel) of their Lender Election;

(i) if applicable, as soon as reasonably practicable, but in no event later than March 31, 2020, the Auction shall have occurred;

(j) as soon as reasonably practicable, but in no event later than five (5) Business Days following selection of a Successful Bidder, the Company Parties and the Required Consenting Term Lenders shall agree to a Wind-Down Budget reasonably acceptable to the Required Consenting Term Lenders;

(k) as soon as reasonably practicable, but in no event later than April 23, 2020, the Bankruptcy Court shall have entered the Confirmation Order;⁵ and

(l) as soon as reasonably practicable, but in no event later than May 30, 2020, the Plan Effective Date shall have occurred.

Section 5. *Commitments of the Consenting Term Lenders.*

5.01. General Commitments, Forbearances, and Waivers.

(a) During the Agreement Effective Period, each Consenting Term Lender agrees (severally and not jointly), in respect of all its Term Loan Claims, to:

(i) use its commercially reasonable efforts to support the Transaction and to act in good faith and take all reasonable actions necessary to implement and consummate the Transaction in accordance with the terms, conditions, and applicable deadlines set forth in this Agreement, the Plan, and the Bidding Procedures, as applicable;

(ii) negotiate in good faith the applicable Definitive Documents and use its commercially reasonable efforts to agree to the form and substance of such Definitive Documents consistent with the terms of this Agreement;

⁵ As soon as reasonably practicable after closing the Auction, the Debtors shall finalize definitive documentation to implement the terms of the Successful Bid, and, as applicable, cause such definitive documentation to be filed with the Bankruptcy Court.

(iii) support the Transactions and vote and exercise any powers or rights available to it (including in any board, shareholders', or creditors' meeting or in any process requiring voting or approval to which they are legally entitled to participate) in each case in favor of any matter requiring approval to the extent necessary to implement the Transactions;

(iv) direct the Term Loan Agent (in accordance with the Term Loan Credit Documentation) to take all actions in furtherance of such Consenting Term Lender's respective obligations under this Agreement, and if the Term Loan Agent takes any action inconsistent with a Party's obligations under this Agreement, such Party shall promptly direct such Term Loan Agent to cease and refrain from taking any such action;

(v) to the extent any legal or structural impediment arises that would prevent, hinder, or delay the consummation of the Transactions contemplated herein, take all steps reasonably necessary and desirable to address any such impediment; provided that this Section 5.01(a)(v) shall not require any Consenting Term Lender to take any action for which they will incur additional out of pocket or legal expenses unless reimbursed by the Company Parties;

(vi) use commercially reasonable efforts to cooperate with and assist the Company Parties in obtaining additional support for the Transactions from the Company Parties' other stakeholders; provided that this Section 5.01(a)(vi) shall not require any Consenting Term Lender to take any action for which they will incur additional out of pocket or legal expenses unless reimbursed by the Company Parties;

(vii) use commercially reasonable efforts to oppose any party or person from taking any actions contemplated in Section 5.02(b); provided that this Section 5.01(a)(vii) shall not require any Consenting Term Lender to take any action for which they will incur additional out of pocket or legal expenses unless reimbursed by the Company Parties;

(viii) give any notice, order, instruction, or direction to the Term Loan Agent (in accordance with the Term Loan Credit Documentation) necessary to give effect to the Transactions;

(ix) use commercially reasonable efforts to obtain sixty-six and two-thirds (66 2/3) percent of Term Loan Lenders to execute and deliver counterpart signature pages to this Agreement; and

(x) negotiate in good faith and use commercially reasonable efforts to execute and implement the Definitive Documents that are consistent with this Agreement to which it is required to be a party.

(b) During the Agreement Effective Period, each Consenting Term Lender agrees (severally and not jointly), in respect of all its Term Loan Claims, that it shall not directly or indirectly:

(i) object to, delay, impede, or take any other action to interfere with acceptance, implementation, or consummation of the Transactions;

(ii) direct the Term Loan Agent to take any action inconsistent with such Consenting Term Lender's respective obligations under this Agreement;

(iii) file any motion, pleading, or other document with the Bankruptcy Court or any other court (including any modifications or amendments thereof) that, in whole or in part, is not materially consistent with this Agreement or the Plan;

(iv) initiate, or have initiated on its behalf, any litigation or proceeding of any kind with respect to the Chapter 11 Cases, this Agreement, or the other Transactions contemplated herein against the Company Parties or the other Parties other than to enforce this Agreement or any Definitive Document or as otherwise permitted under this Agreement;

(v) exercise, or direct any other person to exercise, any right or remedy for the enforcement, collection, or recovery of any of Claims against or Interests in the Company Parties

(vi) exercise, or direct the Term Loan Agent to exercise, any rights pursuant to section 363(k) of the Bankruptcy Code to credit bid an amount greater than the Reserve Price at any Auction; or

(vii) object to, delay, impede, or take any other action to interfere with the Company Parties' ownership and possession of their assets, wherever located, or interfere with the automatic stay arising under section 362 of the Bankruptcy Code.

5.02. Commitments with Respect to Chapter 11 Cases.

(a) During the Agreement Effective Period, each Consenting Term Lender that is entitled to vote to accept or reject the Plan pursuant to its terms agrees that it shall, subject to receipt by such Consenting Term Lender, whether before or after the commencement of the Chapter 11 Cases, of the Solicitation Materials:

(i) vote each of its Term Loan Claims to accept the Plan by delivering its duly executed and completed ballot accepting the Plan on a timely basis following the commencement of the solicitation of the Plan and its actual receipt of the Solicitation Materials and the ballot;

(ii) support all the debtor and third-party releases, injunctions, discharge, and exculpation provisions provided in the Plan;

(iii) to the extent it is permitted to elect whether to opt out of the releases set forth in the Plan, elect not to opt out of the releases set forth in the Plan by timely delivering its duly executed and completed ballot(s) indicating such election; and

(iv) not change, withdraw, amend, or revoke (or cause to be changed, withdrawn, amended, or revoked) any vote or election referred to in clauses (i) through (iii) above.

(b) During the Agreement Effective Period, each Consenting Term Lender, in respect of each of its Term Loan Claims, will support, and will not directly or indirectly object to, delay,

impede, or take any other action to interfere with any motion or other pleading or document filed by a Company Party in the Bankruptcy Court that is contemplated by this Agreement.

(c) During the Agreement Effective Period, each Consenting Term Lender (severally, and not jointly) agrees, in its own discretion, to support, and will not directly or indirectly object to, delay, impede, or take any other action to interfere with any action in furtherance of the Company Parties' ordinary course postpetition compensation and employee benefit, retention, or incentive programs as long as such program is approved by any interim of the Bankruptcy Court and the Company (i) complies with any caps set forth in such orders and (ii) complies with the Interim Period DIP Budget with respect to such programs. For the avoidance of doubt, any compensation and employee benefit, retention, or incentive programs not authorized by an interim order of the Bankruptcy Court shall not be implemented without the consent of the Required Consenting Term Lenders (such consent not to be unreasonably withheld).

(d) During the Agreement Effective Period, each in its own discretion each Consenting Term Lender will support, and will not directly or indirectly object to, delay, impede, or take any other action to interfere with, nor will any Consenting Term Lender direct the Term Loan Agent to object to, delay, impede, or take any action to interfere with, any DIP Document filed by any Company Party in the Bankruptcy Court.

(e) During the Agreement Effective Period:

(i) If the Company Parties receive a Qualified Bid greater than or equal in value to the Reserve Price, then the Consenting Term Lenders agree (severally and not jointly), and agree to direct the Term Loan Agent (as applicable and in accordance with the Term Loan Credit Documentation), with respect to any Qualified Bid selected as the Successful Bid (as defined in the Bidding Procedures) at Auction or with respect to another Transaction that constitutes the end of the Debtors' sale process, to (a) with respect to any and all liens, encumbrances, and interests in the assets of the Company Parties, including all Collateral (as defined in the Term Loan Credit Agreement), including on account of the Term Loan Credit Documentation automatically release and discharge such liens, encumbrances, and interests upon the closing of the Transaction, without any further action of such Consenting Term Lender, provided that such liens, encumbrances, and interests continue to attach to the proceeds of such Transaction until such proceeds are distributed as provided for in the Plan; (b) consent to the Sale Transaction pursuant to the Auction and Plan, and (c) otherwise support, negotiate in good-faith, and implement such Sale Transaction. The Consenting Lenders agree to direct the Term Loan Agent (in accordance with the Term Loan Credit Documentation) to promptly execute and deliver any instruments, documentation and agreement necessary or desirable or reasonably requested by the Company Parties to evidence and confirm the release of all such liens, encumbrances, interests and claims pursuant to the forgoing Section 5.02(e)(i)(a).

(ii) If the Successful Bidder at the Auction is not a Consenting Term Lender, the Consenting Term Lenders agree (severally and not jointly), and agree to direct the Term Loan Agent (as applicable and in accordance with the Term Loan Credit Documentation), to: (a) with respect to any and all liens, encumbrances, and interests in the assets of the Company Parties, including all Collateral (as defined in the Term Loan Credit Agreement), including on

account of the Term Loan Credit Documentation automatically release and discharge, upon the closing of the Transaction, such liens, encumbrances, and interests without any further action of such Consenting Term Lender, provided that such liens, encumbrances, and interests continue to attach to the proceeds of such Transaction until such proceeds are distributed as provided for in the Plan; (b) consent to the Sale Transaction pursuant to the Auction and Plan; and (c) otherwise support, negotiate in good-faith, and implement such Sale Transaction. The Consenting Lenders agree to direct the Term Loan Agent (in accordance with the Term Loan Credit Documentation) to promptly execute and deliver any instruments, documentation and agreement necessary or desirable or reasonably requested by the Company Parties to evidence and confirm the release of all such liens, encumbrances, interests and claims pursuant to the forgoing Section 5.02(e)(ii)(b).

(iii) If the Consenting Term Lenders are the Successful Bidder at the Auction, the Consenting Term Lenders and the Company Parties shall agree to support and implement a Plan that, at the election of the Required Consenting Term Lenders, provides for either (a) the liquidation of the Company pursuant to the Plan or (b) an Equitization Restructuring. If a liquidation is pursued, the Company Parties and the Required Consenting Term Lenders shall use commercially reasonable efforts to promptly implement a value-maximizing liquidation. For the avoidance of doubt, in such a scenario, the store closings will be completed prior to the Plan Effective Date, but certain wind-down activities and asset sales may occur after the Plan Effective Date pursuant to any wind-down trust agreements, with proceeds and remaining cash to be distributed pursuant to the Plan.

(iv) The Consenting Term Lenders agree (severally and not jointly) to not exercise, or direct the Term Loan Agent to exercise, any rights pursuant to section 363(k) of the Bankruptcy Code to credit bid an amount greater than the value of the Reserve Price at any Auction.

(v) Each Consenting Term Lender will support, and will direct the Term Loan Agent (in accordance with the Term Loan Credit Documentation) to support, the Company Parties' Transactions and will not object to, delay, impede, or take any other action to interfere with entry of any Sale Document and/or consummation of any Sale Transaction, *provided* that such Sale Transaction complies with the Plan, the Bidding Procedures, and this Agreement.

(vi) In determining whether any Qualified Bid reaches the Reserve Price, the Company Parties and the Required Consenting Term Lenders shall work in good faith to reach an agreement on estimates of Claims and any and all other payments and obligations that are (i) required under the Plan or any other Definitive Document, including but not limited to the Wind-Down Budget and (ii) to be paid prior to the Term Loan Claims pursuant to the Plan, to the extent unknown and not already estimated as part of the Administrative Claims Cap, for the purpose of calculating the Reserve Price (collectively, the "**Claims Estimation**") and agree that such Claims Estimation shall be binding on the Parties so long as this Agreement remains in effect.

(vii) To the extent that the Consenting Term Lenders do not agree with the Debtors' selection of the Successful Bidder at the Auction, the Consenting Term Lenders and the Company Parties agree to seek expedited relief from the Bankruptcy Court to resolve the dispute

with such relief to be heard by the Bankruptcy Court no later than five (5) days after the conclusion of the Auction; *provided* that the Consenting Term Lenders and Company Parties agree that any determination by the Bankruptcy Court shall be binding on the Parties and shall not result in or cause the termination of this Agreement or serve as a valid justification for breach of either Parties' rights and obligations under this Agreement.

5.03. Additional Provisions Regarding the Consenting Term Lenders' Commitments.

(i) Notwithstanding anything contained in this Agreement, nothing in this Agreement shall: (a) affect the ability of any Consenting Term Lender to consult with any other Consenting Term Lender, the Company Parties, or any other party in interest in the Chapter 11 Cases (including any official committee and the United States Trustee), subject to all applicable Confidentiality Agreements; (b) impair or waive the rights of any Consenting Term Lender to assert or raise any objection permitted under this Agreement in connection with the Transactions; and (c) prevent any Consenting Term Lender from enforcing this Agreement or contesting whether any matter, fact, or thing is a breach of, or is inconsistent with, this Agreement.

Section 6. *Commitments of the Company Parties.*

6.01. General Commitments, Forbearances, and Waivers.

(a) Except as set forth in 6.03, during the Agreement Effective Period, the Company Parties agree to:

(i) support and take all steps reasonably necessary and desirable to consummate the Transactions in accordance with this Agreement including seeking Court approval of this Agreement pursuant to the motion to approve Bidding Procedures;

(ii) to the extent any legal or structural impediment arises that would prevent, hinder, or delay the consummation of the Transactions contemplated herein, take all steps reasonably necessary and desirable to address any such impediment;

(iii) use commercially reasonable efforts to obtain any and all required regulatory and/or third-party approvals for the Transactions;

(iv) negotiate the Definitive Documents in good faith, provide counsel for the Consenting Term Lenders commercially reasonable time to review draft copies of all Definitive Documents before filing, and use commercially reasonable efforts to execute and deliver the Definitive Documents and any other required agreements to effectuate and consummate the Transactions as contemplated by this Agreement;

(v) use commercially reasonable efforts to seek additional support for the Transactions from their other material stakeholders to the extent reasonably prudent;

(vi) to the extent the Company becomes aware of any Alternative Transaction, notify the Consenting Term Lenders within (1) Business Day.

(vii) provide counsel and advisors for the Consenting Term Lenders, upon reasonable advance notice to the Company Parties, timely and reasonable responses to all diligence requests; *provided* that the Company Parties shall not be required to distribute or share any documents that are or contain privileged materials, are otherwise subject to work-product or other attorney-client privilege, where applicable law restricts distribution, or is subject to confidentiality obligations of the Company Parties that prevent distribution; and

(viii) timely file a formal objection to any motion, application, or adversary proceeding challenging the validity, enforceability, perfection, or priority of, or seeking avoidance or subordination of, any portion of the Term Loan Claims.

(b) Negative Commitments. Except as set forth in 6.03, during the Agreement Effective Period, each of the Company Parties shall not directly or indirectly:

(i) object to, delay, impede, or take any other action to interfere with acceptance, implementation, or consummation of the Transactions;

(ii) take any action that is inconsistent in any material respect with, or is intended to frustrate or impede approval, implementation and consummation of the Transactions described in, this Agreement or the Plan;

(iii) modify the Plan, in whole or in part, in a manner that is not consistent with this Agreement in all material respects; or

(iv) file any motion, pleading, or Definitive Documents with the Bankruptcy Court or any other court (including any modifications or amendments thereof) that, in whole or in part, is not materially consistent with this Agreement or the Plan.

6.02. Commitments with Respect to Chapter 11 Cases

(i) in determining whether any Qualified Bid reaches the Reserve Price, the Company Parties and the Required Consenting Term Lenders shall work in good faith to reach an agreement on the Claims Estimation for the purpose of calculating the Reserve Price and agree that such Claims Estimation shall be binding on the Parties so long as this Agreement remains in effect;

(ii) to the extent that the Required Consenting Term Lenders do not agree with the Debtors' selection of the Successful Bidder at the Auction, the Consenting Term Lenders and the Company Parties agree to seek expedited relief from the Bankruptcy Court to resolve the dispute with such relief to be heard by the Bankruptcy Court no later than five (5) days after the conclusion of the Auction; *provided* that the Consenting Term Lenders and Company Parties agree that any determination by the Bankruptcy Court shall be binding on the Parties and shall not result in or cause the termination of this Agreement or serve as a valid justification for breach of either Parties' rights and obligations under this Agreement;

(iii) the Company Parties shall (i) provide counsel for the Consenting Term Lenders a commercially reasonable opportunity to review draft copies of all First Day Pleadings

and, (ii) to the extent reasonably practicable, provide a commercially reasonable opportunity to counsel to any Consenting Term Lenders materially affected by such filing to review draft copies of other documents that the Company Parties intend to file with Bankruptcy Court, as applicable;

(iv) Financial Reporting. During the Agreement Effective Period, the Company Parties agree to:

- (A) provide counsel and advisors for the Consenting Term Lenders with any financial reporting provided to the DIP Lenders with regard to compliance with the DIP Budget (at the same time as such information is shared with the DIP Lenders);⁶
- (B) provide counsel and advisors for the Consenting Term Lenders with an email on the second Business Day of each week, up to the Bid Deadline, regarding outreach to Potential Bidders (subject to applicable confidentiality provision);
- (C) provide counsel and advisors for the Consenting Term Lenders with an email on the fourth Business Day of each week including a tracker of the status of going-out-of-business sales (with the understanding the reporting would cease if the going-out-of-business sales are completed);
- (D) provide counsel and advisors for the Consenting Term Lenders with an email on the fourth Business Day of each week including mutually agreed key performance indicators (including a comparison to the then-current business plan);
- (E) provide counsel and advisors for the Consenting Term Lenders with an email on the fourth Business Day of each week including mutually agreed information associated with inventory receipts outlook;
- (F) provide counsel and advisors for the Consenting Term Lenders with an email on the fourth Business Day of each week including mutually agreed information on actual and forecasted accounts payable balances;
- (G) provide counsel and advisors for the Consenting Term Lenders with an email on the fourth Business Day of each week including a

⁶ To the extent not included in the financial reporting to the DIP Lenders, provide counsel and advisors for the Consenting Term Lenders with an email each Thursday including a rolling thirteen (13) week budget ("Rolling Budget") including (i) a rolling weekly inventory roll forward in support of each Rolling Budget; (ii) a rolling accounts payable roll forward in support of each Rolling Budget; and (iii) estimated Administrative and Priority Claims, subject to satisfaction of covenants and reporting requirements in DIP Documents.

report summarizing all new purchase orders issued postpetition reflecting amount and target delivery date; and

- (H) host a weekly call (whether hosted by the Company Parties or by the Company Parties' advisors) for counsel and advisors for the Consenting Term Lenders on the first Business Day of each week to discuss questions related to the foregoing, provided that any questions to be raised on the weekly call are submitted in writing to the Company Parties' advisors on the last business day of the week prior to the weekly call.

6.03. Additional Provisions Regarding Company Parties' Commitments.

(i) Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall require a Company Party or the board of directors, board of managers, or similar governing body of a Company Party, after consulting with counsel, to take any action or to refrain from taking any action with respect to the Transactions to the extent taking or failing to take such action would be inconsistent with applicable Law or its fiduciary obligations under applicable Law, and any such action or inaction pursuant to this Section (i) shall not be deemed to constitute a breach of this Agreement.

(ii) Notwithstanding anything to the contrary in this Agreement (but subject to Section (i)), each Company Party and their respective directors, officers, employees, investment bankers, attorneys, accountants, consultants, and other advisors or representatives shall have the rights to: (a) consider, respond to, and facilitate alternative proposals; (b) provide access to non-public information concerning any Company Party to any Entity or enter into Confidentiality Agreements or nondisclosure agreements with any Entity; (c) maintain or continue discussions or negotiations with respect to alternative proposals; (d) otherwise cooperate with, assist, participate in, or facilitate any inquiries, proposals, discussions, or negotiations of alternative proposals; and (e) enter into or continue discussions or negotiations with holders of Claims against or Equity Interests in a Company Party (including any Consenting Term Lender), any other party in interest in the Chapter 11 Cases (including any official committee and the United States Trustee), or any other Entity regarding the Transactions or alternative proposals.

(iii) Nothing in this Agreement shall: (a) impair or waive the rights of any Company Party to assert or raise any objection permitted under this Agreement in connection with the Transactions; or (b) prevent any Company Party from enforcing this Agreement or contesting whether any matter, fact, or thing is a breach of, or is inconsistent with, this Agreement.

Section 7. *Cooperation and Support*

Each Party hereby covenants and agrees to cooperate with the other Parties in good faith and shall coordinate their activities (to the extent practicable and subject to the terms hereof) with respect to, (i) all matters relating to their rights hereunder; (ii) all matters concerning the implementation of the Plan and the Transactions; and (iii) the pursuit, approval and support of the Transactions (including confirmation of the Plan). Furthermore, subject to the terms hereof,

each of the Parties shall take such action as may be reasonably necessary or reasonably requested by the other Parties to carry out the purposes and intent of this Agreement, or to effectuate the solicitation of the Plan and/or the Transactions, including making and filing any required regulatory filings, executing and delivering any other necessary agreements or instruments, and voting any claims against or interests in the Company Parties in favor of the Plan, and shall refrain from taking any action that would frustrate the purposes and intent of this Agreement.

Section 8. *Transfer of Interests and Securities.*

8.01. During the Agreement Effective Period, no Consenting Term Lender shall Transfer any ownership (including any beneficial ownership as defined in the Rule 13d-3 under the Securities Exchange Act of 1934, as amended) in any Term Loan Claims to any person, including any affiliated or unaffiliated person in which it may hold a direct or indirect beneficial interest, unless the transferee either (i) executes and delivers to counsel to the Company Parties, at or before the time of the proposed Transfer, a Transfer Agreement or (ii) the transferee is a Consenting Term Lender and the transferee provides notice of such Transfer (including the amount and type of Company Claim/Interest Transferred) to counsel to the Company Parties at or before the time of the proposed Transfer. Notwithstanding the foregoing, compliance with this Section 10.01 shall not be required with respect to the acquisition of an indirect beneficial interest in a Consenting Term Lender's Term Loan Claims by an affiliate of such Consenting Term Lender.

8.02. Upon compliance with the requirements of Section 8.01, the transferor shall be deemed to relinquish its rights (and be released from its obligations) under this Agreement to the extent of the rights and obligations in respect of such transferred Term Loan Claims. Any Transfer in violation of Section 8.01 shall be void *ab initio*.

8.03. This Agreement shall in no way be construed to preclude the Consenting Term Lenders from acquiring additional Term Loan Claims; provided, however, that (a) such additional Term Loan Claims shall automatically and immediately upon acquisition by a Consenting Term Lender be deemed subject to the terms of this Agreement (regardless of when or whether notice of such acquisition is given to counsel to the Company Parties or counsel to the Consenting Term Lenders) and (b) such Consenting Term Lender must provide notice of such acquisition (including the amount and type of Company Claim/Interest acquired) to counsel to the Company Parties promptly and, in any event, within five (5) Business Days of such acquisition.

8.04. This Section 10 shall not impose any obligation on any Company Party to issue any "cleansing letter" or otherwise publicly disclose information for the purpose of enabling a Consenting Term Lender to Transfer any of its Term Loan Claims. Notwithstanding anything to the contrary herein, to the extent a Company Party and another Party have entered into a Confidentiality Agreement, the terms of such Confidentiality Agreement shall continue to apply and remain in full force and effect according to its terms, and this Agreement does not supersede any rights or obligations otherwise arising under such Confidentiality Agreements.

8.05. Notwithstanding Section 8.01, a Qualified Marketmaker that acquires any Term Loan Claims with the purpose and intent of acting as a Qualified Marketmaker for such Term Loan Claims shall not be required to execute and deliver a Transfer Agreement in respect of such Term Loan Claims if (a) such Qualified Marketmaker subsequently transfers such Term Loan Claims (by purchase, sale assignment, participation, or otherwise) within five (5) Business Days of its acquisition to a transferee that is an entity that is not an affiliate, affiliated fund, or affiliated entity with a common investment advisor; (b) the transferee otherwise is a Permitted Transferee under Section 8.01; and (c) the Transfer otherwise is a Permitted Transfer under Section 8.01. To the extent that a Consenting Term Lender is acting in its capacity as a Qualified Marketmaker, it may Transfer (by purchase, sale, assignment, participation, or otherwise) any right, title or interests in Term Loan Claims that the Qualified Marketmaker acquires from a holder of the Term Loan Claims who is not a Consenting Term Lender without the requirement that the transferee be a Permitted Transferee.

8.06. Notwithstanding anything to the contrary in this Section 10, the restrictions on Transfer set forth in this Section 10 shall not apply to the grant of any liens or encumbrances on any claims and interests in favor of a bank or broker-dealer holding custody of such claims and interests in the ordinary course of business and which lien or encumbrance is released upon the Transfer of such claims and interests.

Section 9. *Representations and Warranties of Consenting Term Lenders.* Each Consenting Term Lender severally, and not jointly, represents and warrants that, as of the date such Consenting Term Lender executes and delivers this Agreement and as of the Plan Effective Date:

(a) it is the beneficial or record owner of the face amount of the Term Loan Claims or is the nominee, investment manager, or advisor for beneficial holders of the Term Loan Claims reflected in, and, having made reasonable inquiry, is not the beneficial or record owner of any Term Loan Claims other than those reflected in, such Consenting Term Lender's signature page to this Agreement or a Transfer Agreement, as applicable (as may be updated pursuant to Section 7);

(b) it has the full power and authority to act on behalf of, vote and consent to matters concerning, such Term Loan Claims;

(c) such Term Loan Claims are free and clear of any pledge, lien, security interest, charge, claim, equity, option, proxy, voting restriction, right of first refusal, right of participation, or other limitation on disposition, transfer, or encumbrances of any kind, that would adversely affect in any way such Consenting Term Lender's ability to perform any of its obligations under this Agreement at the time such obligations are required to be performed; and

(d) it has the full power to vote, approve changes to, and transfer all of its Term Loan Claims referable to it as contemplated by this Agreement subject to applicable Law.

Section 10. *Mutual Representations, Warranties, and Covenants.* Each of the Parties represents, warrants, and covenants to each other Party, as of the date such Party executed and delivers this Agreement, on the Plan Effective Date:

(a) it is validly existing and in good standing under the Laws of the state of its organization, and this Agreement is a legal, valid, and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by applicable Laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability;

(b) except as expressly provided in this Agreement, the Plan, and the Bankruptcy Code, no consent or approval is required by any other person or entity in order for it to effectuate the Transactions contemplated by, and perform its respective obligations under, this Agreement;

(c) the entry into and performance by it of, and the transactions contemplated by, this Agreement do not, and will not, conflict in any material respect with any Law or regulation applicable to it or with any of its articles of association, memorandum of association or other constitutional documents;

(d) except as expressly provided in this Agreement, it has (or will have, at the relevant time) all requisite corporate or other power and authority to enter into, execute, and deliver this Agreement and to effectuate the Transactions contemplated by, and perform its respective obligations under, this Agreement; and

(e) except as expressly provided by this Agreement, it is not party to any restructuring or similar agreements or arrangements regarding the Company Parties with the other Parties to this Agreement that have not been disclosed to all Parties to this Agreement.

Section 11. *Termination Events.*

11.01. Consenting Term Lender Termination Events. This Agreement may be terminated with respect to the Consenting Term Lenders, by the Required Consenting Term Lenders, in each case, by the delivery to the Company Parties of a written notice in accordance with Section 14.10 hereof upon the occurrence of the following events:

(a) the breach in any material respect by a Company Party of any of the representations, warranties, or covenants of the Company Parties set forth in this Agreement that (i) is adverse to the Consenting Term Lenders seeking termination pursuant to this provision and (ii) remains uncured for one (1) business day after such terminating Consenting Term Lenders transmit a written notice in accordance with Section 14.10 hereof detailing any such breach;

(b) the issuance by any governmental authority, including any regulatory authority or court of competent jurisdiction, of any final, non-appealable ruling or order that (i) enjoins the consummation of a material portion of the Transactions and (ii) remains in effect for twenty (20) Business Days after such terminating Consenting Term Lenders transmit a written notice in accordance with Section 14.10 hereof detailing any such issuance; provided that this termination right may not be exercised by any Party that sought or requested such ruling or order in contravention of any obligation set out in this Agreement;

(c) the Milestones set forth in Section 4 have not been achieved, extended, or waived within one (1) Business Day after the date identified for completion of such Milestone (as such date may be extended or waived);⁷

(d) the Company Parties fail to abide by the Wind-Down Budget unless waived by the Required Consenting Term Lenders by written notice in accordance with Section 16.10 hereof; provided however that for the purposes of this section, the Company Parties shall be entitled to a variance of []% from the Wind-Down Budget with respect to disbursements thereunder;

(e) the Company Parties seek approval of DIP Documents to which the Consenting Term Lenders have not consented;

(f) the Company Parties enter into or seek approval of exit financing to which the Consenting Term Lenders have not consented;

(g) the Company Parties make any payments with respect to the Company Parties' compensation programs not contemplated by this Agreement without the prior written consent of the Consenting Term Lenders;

(h) the Company Parties enter into a material executory contract, lease, or other arrangement outside of the ordinary course of business without the prior written consent of the Consenting Term Lenders;

(i) there is a default under any debtor-in-possession financing governed by the DIP Documents;

(j) the Company Parties withdraw the Plan or Disclosure Statement, file, propose, or otherwise support any plan of reorganization or liquidation other than the Plan, file any motion or pleading with the Bankruptcy Court that is not consistent with this Agreement and such motion or pleading has not been withdrawn prior to the earlier of (i) two (2) Business Days after the Company Parties receive written notice in accordance with Section 16.10 hereof from the Consenting Term Lenders that such motion or pleading is inconsistent with this Agreement and (ii) entry of an order of the Bankruptcy Court approving such motion or pleading;

(k) the Bankruptcy Court grants relief that is inconsistent with this Agreement in any materially adverse respect;

(l) the Bankruptcy Court enters an order denying confirmation of the Plan and the Company Parties are unable to obtain approval of the Plan within 15 Business Days; or

(m) the entry of an order by the Bankruptcy Court, or the filing of a motion or application by any Company Party seeking an order (without the prior written consent of the Required Consenting Term Lenders, not to be unreasonably withheld), (i) converting one or

⁷ For the avoidance of doubt, no Party may terminate this Agreement on account of failure to satisfy a Milestone to the extent that such failure is caused by or resulting from such Party's own action (or failure to act).

more of the Chapter 11 Cases of a Company Party to a case under chapter 7 of the Bankruptcy Code, (ii) appointing an examiner with expanded powers beyond those set forth in sections 1106(a)(3) and (4) of the Bankruptcy Code or a trustee in one or more of the Chapter 11 Cases of a Company Party, or (iii) rejecting this Agreement.

11.02. Company Party Termination Events. Any Company Party may terminate this Agreement as to all Parties upon prior written notice to all Parties in accordance with Section 14.10 hereof upon the occurrence of any of the following events:

(a) the breach in any material respect by one or more of the Consenting Term Lenders of any provision set forth in this Agreement that remains uncured for a period of one (1) Business Day after the receipt by the Consenting Term Lenders of notice of such breach, including:

(i) Any direct or indirect objection, delay, impediment, or other action taken by a Consenting Term Lender against any action in furtherance of the Company Parties' employee compensation programs that are otherwise consistent with this Agreement;

(ii) Any direct or indirect objection, delay, impediment, or other action taken by a Consenting Term Lender or Term Loan Agent against any DIP Document filed by any Company Party in the Bankruptcy Court;

(iii) Any direct or indirect objection, delay, impediment, or other action taken by a Consenting Term Lender or Term Loan Agent opposing entry of any Sale Document and/or consummation of any Sale Transaction, provided that such Sale Transaction complies with this Agreement, the Plan, and the Bidding Procedures; or

(iv) The failure of the Consenting Term Lenders to negotiate in good faith, support, and implement a Sale Transaction if the Reserve Price is triggered or such Sale Transaction is occurring pursuant to the Lender Election.

(b) the Milestones set forth in Section 4 have not been achieved, extended, or waived within one (1) Business Days after the date identified for completion of such Milestone (as such date may be extended or waived);⁸

(c) the board of directors, board of managers, or such similar governing body of any Company Party determines, after consulting with counsel, (i) that proceeding with any of the Transactions would be inconsistent with the exercise of its fiduciary duties or applicable Law or (ii) in the exercise of its fiduciary duties, to pursue an Alternative Transaction;

(d) the issuance by any governmental authority, including any regulatory authority or court of competent jurisdiction, of any final, non-appealable ruling or order that (i) enjoins the consummation of a material portion of the Transactions and (ii) remains in effect for thirty (30) Business Days after such terminating Company Party transmits a written notice in accordance

⁸ For the avoidance of doubt, no Party may terminate this Agreement on account of failure to satisfy a Milestone to the extent that such failure is caused by or resulting from such Party's own action (or failure to act).

with Section 14.10 hereof detailing any such issuance; provided that this termination right shall not apply to or be exercised by any Company Party that sought or requested such ruling or order in contravention of any obligation or restriction set out in this Agreement; or

(e) the Bankruptcy Court enters an order denying confirmation of the Plan.

11.03. Mutual Termination. This Agreement, and the obligations of all Parties hereunder, may be terminated by mutual written agreement among all the following: (a) the Required Consenting Term Lenders; and (b) each Company Party.

11.04. Automatic Termination. This Agreement shall terminate automatically without any further required action or notice immediately after the Plan Effective Date.

11.05. Effect of Termination. Upon the occurrence of a Termination Date as to a Party, this Agreement shall be of no further force and effect as to such Party and each Party subject to such termination shall be released from its commitments, undertakings, and agreements under or related to this Agreement and shall have the rights and remedies that it would have had, had it not entered into this Agreement, and shall be entitled to take all actions, whether with respect to the Transactions or otherwise, that it would have been entitled to take had it not entered into this Agreement, including with respect to any and all Claims or causes of action. Upon the occurrence of a Termination Date prior to the Confirmation Order being entered by a Bankruptcy Court, any and all consents or ballots tendered by the Parties subject to such termination before a Termination Date shall be deemed, for all purposes, to be null and void from the first instance and shall not be considered or otherwise used in any manner by the Parties in connection with the Transactions and this Agreement or otherwise; provided, however, that any Consenting Term Lender withdrawing or changing its vote pursuant to this Section 11.05 shall promptly provide written notice of such withdrawal or change to each other Party to this Agreement and, if such withdrawal or change occurs on or after the Petition Date, file notice of such withdrawal or change with the Bankruptcy Court. Nothing in this Agreement shall be construed as prohibiting a Company Party or any of the Consenting Term Lenders from contesting whether any such termination is in accordance with its terms or to seek enforcement of any rights under this Agreement that arose or existed before a Termination Date. Except as expressly provided in this Agreement, nothing herein is intended to, or does, in any manner waive, limit, impair, or restrict (a) any right of any Company Party or the ability of any Company Party to protect and reserve its rights (including rights under this Agreement), remedies, and interests, including its claims against any Consenting Term Lender, and (b) any right of any Consenting Term Lender, or the ability of any Consenting Term Lender, to protect and preserve its rights (including rights under this Agreement), remedies, and interests, including its claims against any Company Party or Consenting Term Lender. No purported termination of this Agreement shall be effective under this Section 11.05 or otherwise if the Party seeking to terminate this Agreement is in material breach of this Agreement, except a termination pursuant to Section 11.02(c) or Section 11.02(e). Nothing in this Section 11.05 shall restrict any Company Party's right to terminate this Agreement in accordance with Section 11.02(c).

Section 12. *Fees and Expenses.* For as long as the Agreement is in full force and effect and the Consenting Term Lenders are not in default pursuant to its terms, and in accordance with and

subject to the DIP Documents (which orders shall provide for the payment of all of the fees and expenses described in this Agreement), the Company Parties shall pay or reimburse when due all reasonable and documented fees (incurred prior to or after the Petition Date) of the following: Brown Rudnick LLP (“Brown Rudnick”) as primary counsel, one local counsel, and FTI Consulting (“FTI”) as financial advisor, for all Consenting Term Lenders; in addition to the fees and expenses (including attorneys’ fees) of the Term Loan Agent. The Company Parties’ payment of fees and expenses owing to Brown Rudnick and FTI shall be in accordance with all applicable engagement letters executed between the Parties.

Section 13. *Amendments and Waivers.*

(a) This Agreement may not be modified, amended, or supplemented, and no condition or requirement of this Agreement may be waived, in any manner except in accordance with this Section 13.

(b) This Agreement may be modified, amended, or supplemented, or a condition or requirement of this Agreement may be waived, in a writing signed by: (i) each Company Party and (ii) the Required Consenting Term Lenders, solely with respect to any modification, amendment, waiver or supplement that materially and adversely affects the rights of such Parties and unless otherwise specified in this Agreement; provided, however, that any waiver, modification, amendment, or supplement that materially adversely affects the economic recoveries or treatment of any Consenting Term Lender may not be made without the prior written consent of each such adversely affected Consenting Term Lender.

(c) Any proposed modification, amendment, waiver or supplement that does not comply with this Section 13 shall be ineffective and void *ab initio*.

(d) The waiver by any Party of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy under this Agreement shall operate as a waiver of any such right, power or remedy or any provision of this Agreement, nor shall any single or partial exercise of such right, power or remedy by such Party preclude any other or further exercise of such right, power or remedy or the exercise of any other right, power or remedy. All remedies under this Agreement are cumulative and are not exclusive of any other remedies provided by Law.

Section 14. *Miscellaneous.*

14.01. Acknowledgement. Notwithstanding any other provision herein, this Agreement is not and shall not be deemed to be an offer with respect to any securities or solicitation of votes for the acceptance of a plan of reorganization for purposes of sections 1125 and 1126 of the Bankruptcy Code or otherwise. Any such offer or solicitation will be made only in compliance with all applicable securities Laws, provisions of the Bankruptcy Code, and/or other applicable Law.

14.02. Exhibits Incorporated by Reference; Conflicts. Each of the exhibits, annexes, signatures pages, and schedules attached hereto is expressly incorporated herein and made a part of this Agreement, and all references to this Agreement shall include such exhibits, annexes, and schedules. In the event of any inconsistency between this Agreement (without reference to the exhibits, annexes, and schedules hereto) and the exhibits, annexes, and schedules hereto, this Agreement (without reference to the exhibits, annexes, and schedules thereto) shall govern.

14.03. Further Assurances. Subject to the other terms of this Agreement, the Parties agree to execute and deliver such other instruments and perform such acts, in addition to the matters herein specified, as may be reasonably appropriate or necessary, or as may be required by order of the Bankruptcy Court, from time to time, to effectuate the Transactions, as applicable.

14.04. Complete Agreement. Except as otherwise explicitly provided herein, this Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, among the Parties with respect thereto, other than any Confidentiality Agreement.

14.05. GOVERNING LAW; SUBMISSION TO JURISDICTION; SELECTION OF FORUM. THIS AGREEMENT IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF. Each Party hereto agrees that it shall bring any action or proceeding in respect of any claim arising out of or related to this Agreement, to the extent possible, in the Bankruptcy Court (and if the Chapter 11 Cases are not filed, in the courts of New York State), and solely in connection with claims arising under this Agreement: (a) irrevocably submits to the exclusive jurisdiction of the Bankruptcy Court; (b) waives any objection to laying venue in any such action or proceeding in the Bankruptcy Court; and (c) waives any objection that the Bankruptcy Court is an inconvenient forum or does not have jurisdiction over any Party hereto.

14.06. TRIAL BY JURY WAIVER. EACH PARTY HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

14.07. Execution of Agreement. This Agreement may be executed and delivered in any number of counterparts and by way of electronic signature and delivery, each such counterpart, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement. Except as expressly provided in this Agreement, each individual executing this Agreement on behalf of a Party has been duly authorized and empowered to execute and deliver this Agreement on behalf of said Party.

14.08. Rules of Construction. This Agreement is the product of negotiations among the Company Parties and the Consenting Term Lenders, and in the enforcement or interpretation hereof, is to be interpreted in a neutral manner, and any presumption with regard to interpretation

for or against any Party by reason of that Party having drafted or caused to be drafted this Agreement, or any portion hereof, shall not be effective in regard to the interpretation hereof. The Company Parties and the Consenting Term Lenders were each represented by counsel during the negotiations and drafting of this Agreement and continue to be represented by counsel.

14.09. Successors and Assigns; Third Parties. This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors and permitted assigns, as applicable. There are no third party beneficiaries under this Agreement, and the rights or obligations of any Party under this Agreement may not be assigned, delegated, or transferred to any other person or entity.

14.10. Notices. All notices hereunder shall be deemed given if in writing and delivered, by electronic mail, courier, or registered or certified mail (return receipt requested), to the following addresses (or at such other addresses as shall be specified by like notice):

(a) if to a Company Party, to:

Pier 1 Imports, Inc.
Attention: Ray McKown
E-mail address: grmckown@pier1.com

with copies to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022
Attention: Joshua A. Sussberg, P.C. and Emily Geier
E-mail address: joshua.sussberg@kirkland.com
emily.geier@kirkland.com

and

Kirkland & Ellis LLP
655 Fifteenth Street, N.W.
Washington, D.C. 20005
Attention: AnnElyse Scarlett Gains
E-mail address: annelyse.gains@kirkland.com

and

Kirkland & Ellis LLP
300 North LaSalle
Chicago, Illinois 60611
Attention: Joshua Altman
E-mail address: josh.altman@kirkland.com

(b) if to a Consenting Term Lender, to:

Brown Rudnick LLP
7 Times Square
New York, New York 10036
Attention: Robert J. Stark
E-mail address: rstark@brownrudnick.com

and

Brown Rudnick LLP
One Financial Center
Boston, Massachusetts 02111
Attention: Sharon I. Dwoskin
E-mail address: sdwoskin@brownrudnick.com

Any notice given by delivery, mail, or courier shall be effective when received.

14.11. Independent Due Diligence and Decision Making. Each Consenting Term Lender hereby confirms that its decision to execute this Agreement has been based upon its independent investigation of the operations, businesses, financial and other conditions, and prospects of the Company Parties.

14.12. Enforceability of Agreement. Each of the Parties to the extent enforceable waives any right to assert that the exercise of termination rights under this Agreement is subject to the automatic stay provisions of the Bankruptcy Code, and expressly stipulates and consents hereunder to the prospective modification of the automatic stay provisions of the Bankruptcy Code for purposes of exercising termination rights under this Agreement, to the extent the Bankruptcy Court determines that such relief is required.

14.13. Waiver. If the Transactions are not consummated, or if this Agreement is terminated for any reason, the Parties fully reserve any and all their rights. Pursuant to Federal Rule of Evidence 408 and any other applicable rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce its terms or the payment of damages to which a Party may be entitled under this Agreement.

14.14. Specific Performance. It is understood and agreed by the Parties that money damages may be an insufficient remedy for any breach of this Agreement by any Party, and each non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief (without the posting of any bond and without proof of actual damages) as a remedy of any such breach, including an order of the Bankruptcy Court or other court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder.

14.15. Several, Not Joint, Claims. Except where otherwise specified, the agreements, representations, warranties, and obligations of the Parties under this Agreement are, in all respects, several and not joint.

14.16. Severability and Construction. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect if essential terms and conditions of this Agreement for each Party remain valid, binding, and enforceable.

14.17. Remedies Cumulative. All rights, powers, and remedies provided under this Agreement or otherwise available in respect hereof at Law or in equity shall be cumulative and not alternative, and the exercise of any right, power, or remedy thereof by any Party shall not preclude the simultaneous or later exercise of any other such right, power, or remedy by such Party.

14.18. Capacities of Consenting Term Lenders. Each Consenting Term Lender has entered into this agreement on account of all Term Loan Claims that it holds (directly or through discretionary accounts that it manages or advises) and, except where otherwise specified in this Agreement, shall take or refrain from taking all actions that it is obligated to take or refrain from taking under this Agreement with respect to all such Term Loan Claims.


14.19. Email Consents. Where a written consent, acceptance, approval, or waiver is required pursuant to or contemplated by this Agreement, pursuant to Section 3.02, Section 13, or otherwise, including a written approval by the Company Parties or the Required Consenting Term Lenders, such written consent, acceptance, approval, or waiver shall be deemed to have occurred if, by agreement between counsel to the Parties submitting and receiving such consent, acceptance, approval, or waiver, it is conveyed in writing (including electronic mail) between each such counsel without representations or warranties of any kind on behalf of such counsel.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the day and year first above written.

**Company Parties' Signature Page to
the Plan Support Agreement**

**PIER 1 IMPORTS, INC.
PIER 1 IMPORTS (U.S.), INC.
PIER 1 HOLDINGS, INC.
PIER 1 ASSETS, INC.
PIER 1 LICENSING, INC.
PIER 1 SERVICES COMPANY
PIER 1 VALUE SERVICES, LLC
PIR TRADING, INC.**

By: _____


Name: Robert J. Riesbeck
Authorized Signatory

**Consenting Term Lender Signature Page to
the Plan Support Agreement**

[CONSENTING TERM LENDER]

Signature: _____

Name:

Title:

Address:

E-mail address(es):

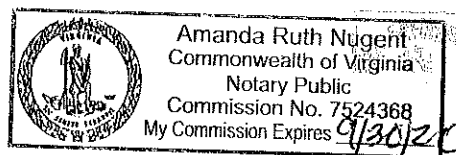
<i>Aggregate Amounts Beneficially Owned or Managed on Account of:</i>	
Term Loan	
Revolving Loan	
Equity Interests	

TAB F

**This is Exhibit "F" to the Affidavit of Robert J.
Riesbeck sworn before me this 18th day of February
2020**

Amanda Ruth Nugent

Notary Public in and for the State of Virginia



**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT
ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF PIER 1 IMPORTS, INC., PIER 1 ASSETS, INC.,
PIER 1 LICENSING, INC., PIER 1 HOLDINGS, INC., PIER 1 IMPORTS
(U.S.), INC., PIER 1 SERVICES COMPANY, PIR TRADING, INC.
AND PIER 1 VALUE SERVICES, LLC**

**APPLICATION OF PIER 1 IMPORTS, INC. UNDER SECTION 46 OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS
AMENDED**

CONSENT TO ACT AS INFORMATION OFFICER

ALVAREZ & MARSAL CANADA INC. hereby consents to act as the information officer in the above noted proceedings pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, and to the terms of the form of Supplemental Order (Foreign Main Proceeding) filed in respect of same.

Dated at Toronto, Ontario this 18th day of February, 2020.

ALVAREZ & MARSAL CANADA INC.

By:



Name: Alan J. Hutchens

Title: Senior Vice-President