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BJS WHOLESALE CLUB INC  
Form DEF 14A  
April 19, 2002

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

- Preliminary Proxy Statement
- CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e) (2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to (S) 240.14a-11(c) or (S) 240.14a-12

BJ's Wholesale Club, Inc.

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11.  
(1) Title of each class of securities to which transaction applies:

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

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

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:  
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[LOGO] BJ'S WHOLESALE CLUB, INC.

One Mercer Road  
Natick, Massachusetts 01760

April 23, 2002

Dear Stockholder:

We invite you to attend our 2002 Annual Meeting of Stockholders on Thursday, May 23, 2002, at 11:00 a.m. at Crowne Plaza Hotel, 1360 Worcester Street (Route 9), Natick, Massachusetts. At this meeting, you are being asked to elect three directors and to increase the number of shares that may be issued under our 1997 Stock Incentive Plan.

We hope that you will join us on May 23rd and would like to take this opportunity to remind you that your vote is important.

Sincerely,

/s/ JOHN J. NUGENT

John J. Nugent

President and Chief Executive Officer

/s/ HERBERT J. ZARKIN

Herbert J. Zarkin

Chairman of the Board

[LOGO] BJ'S WHOLESALE CLUB, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 23, 2002  
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The Annual Meeting of Stockholders of BJ's Wholesale Club, Inc. will be held at Crowne Plaza Hotel, 1360 Worcester Street (Route 9), Natick, Massachusetts, on Thursday, May 23, 2002 at 11:00 a.m. to:

- . Elect three directors to serve until the 2005 Annual Meeting of Stockholders;
- . Approve an amendment to the Company's 1997 Stock Incentive Plan (the "Stock Incentive Plan") to increase the number of shares that may be issued under the Stock Incentive Plan by 2,000,000 shares; and
- . Transact other business properly brought before the meeting.

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Stockholders of record at the close of business on April 8, 2002 may vote at the meeting.

By Order of the Board of Directors

SARAH M. GALLIVAN  
Secretary

Natick, Massachusetts  
April 23, 2002

PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD; OR  
SUBMIT YOUR VOTE AND PROXY BY TELEPHONE OR BY INTERNET IN ACCORDANCE WITH THE  
INSTRUCTIONS ON YOUR PROXY CARD. IF YOU ARE PRESENT AT THE MEETING, YOU MAY  
WITHDRAW YOUR PROXY AND VOTE IN PERSON.

BJ's WHOLESALE CLUB, INC.

ANNUAL MEETING OF STOCKHOLDERS

May 23, 2002

PROXY STATEMENT

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We sent you this proxy statement and the enclosed proxy card because the Board of Directors of BJ's Wholesale Club, Inc. ("BJ's" or the "Company") is soliciting your proxy to vote your shares at the Annual Meeting. Unless you give different instructions, shares represented by properly executed proxies will be voted for the election of the three nominees set forth below and for approval of the amendment to the Stock Incentive Plan. You may revoke your proxy before it is exercised by sending a written revocation to the Secretary of BJ's at the address below, by a later dated proxy or by a request at the meeting that the proxy be revoked.

Stockholders of record at the close of business on April 8, 2002 are entitled to vote at the meeting. Each share of BJ's common stock, par value \$.01 ("Common Stock"), outstanding on the record date is entitled to one vote. As of the close of business on April 8, 2002, there were outstanding and entitled to vote 71,246,351 shares of Common Stock.

This Proxy Statement, the enclosed proxy card and the Annual Report of the Company for the fiscal year ended February 2, 2002 were first mailed to stockholders on or about April 23, 2002.

The Company's fiscal year ends on the Saturday closest to January 31 of each year. Fiscal year references apply to the Company's fiscal year which ended on the Saturday closest to January 31 of the following year. For example, the fiscal year ended February 2, 2002 is referred to as 2001 or fiscal 2001. The Company's address is One Mercer Road, Natick, Massachusetts 01760.

Vote Required

Under the Company's by-laws, so long as a quorum is present at the meeting, the election of directors will require a plurality of votes cast at the meeting and approval of the amendment to the Stock Incentive Plan will require the affirmative vote of the holders of a majority of the votes cast at the meeting. This means that the three nominees for director with the most votes will be

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elected whether or not such nominees receive a majority of the votes cast. Although proxies which withhold authority to vote for any nominee, or abstain from voting as to a particular matter, and broker non-votes (i.e., shares held by brokers or nominees which are not voted because instructions have not been received from the beneficial owners and the broker or nominee does not have discretionary authority) are counted as present for quorum purposes, these shares are not counted for, and have no effect on the outcome of, the election of directors or the approval of the amendment to the Stock Incentive Plan. In addition, in order for the proposal regarding the amendment to the Stock Incentive Plan to be approved, the New York Stock Exchange requires that the aggregate number of votes cast (for or against) on the proposal represents at least a majority of the outstanding shares of Common Stock.

### ELECTION OF DIRECTORS

BJ's Amended and Restated Certificate of Incorporation and by-laws provide for the classification of the Board of Directors into three classes, as nearly equal in number as possible, with the term of office of one class expiring each year. Your proxy will be voted to elect the three nominees named below, unless otherwise instructed, as directors for a term of three years expiring at the 2005 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified. The Board has voted to fix the number of directors at nine. The three nominees have indicated their willingness to serve, if elected. If a nominee becomes unavailable, your proxy will be voted either for another nominee proposed by the Board of Directors or a lesser number of directors as proposed by the Board of Directors. The nominees for election as directors and incumbent directors are as follows:

#### Nominees for Election--Terms Expiring 2005

Ronald R. Dion, 56, has been a director of the Company since September 1999. Mr. Dion has been Chairman and Chief Executive Officer of R.M. Bradley & Co., Inc., a real estate firm, since 1997. From 1989 to 1997 he was President of R.M. Bradley & Co., Inc. Mr. Dion is a trustee of John Hancock Funds and Chairman of the Investment Committee of John Hancock Funds. Mr. Dion is a member of the Audit Committee and Chairman of the Special Committee.

Lorne R. Waxlax, 68, has been a director of the Company since July 1997. He was a director of Waban Inc. ("Waban") from January 1990 to July 1997 and Chairman of the Board of Directors of Waban from June 1996 to July 1997. He was an Executive Vice President of The Gillette Company from 1985 to 1993. Mr. Waxlax is also a director of Pennzoil-Quaker State Company, Hon Industries, Inc. and Clean Harbors, Inc. From July 1997 to March 2002, Mr. Waxlax was a director of House2Home, Inc., formerly known as HomeBase, Inc., which was formerly known as Waban ("House2Home"). Mr. Waxlax is Chairman of the Executive Compensation Committee and a member of the Executive Committee.

Edward J. Weisberger, 60, has been a director of the Company since November 1996. He was Senior Vice President of the Company from July 1997 to July 2000 and was Senior Vice President and Chief Financial Officer of Waban from September 1994 to July 1997. Mr. Weisberger was a director of House2Home from July 1997 to March 2002. Mr. Weisberger is Chairman of the Finance Committee. Incumbent Directors--Terms Expiring 2004

S. James Coppersmith, 69, has been a director of the Company since July 1997. He was a director of Waban from December 1993 to July 1997. Mr. Coppersmith is Vice Chairman of Rasky Baerlein Group. Mr. Coppersmith is also a director of Sun America Asset Management Corporation and a member of the Board of Governors of the Boston Stock Exchange. Mr. Coppersmith is a member of the

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Executive Compensation Committee and the Special Committee.

Thomas J. Shields, 55, has been a director of the Company since July 1997. He was a director of Waban from June 1992 to July 1997. He has served as President of Shields & Company, Inc., an investment banking firm, since 1991. Mr. Shields is also a director of Seaboard Corporation, Versar, Inc. and Clean Harbors, Inc. Mr. Shields is Chairman of the Audit Committee and a member of the Executive Compensation Committee, the Executive Committee and the Finance Committee.

Herbert J. Zarkin, 63, has been a director of the Company since November 1996 and Chairman of the Board of Directors of the Company since July 1997. Mr. Zarkin has been Chairman of House2Home since July 1997 and was President and Chief Executive Officer of House2Home from March 2000 to September 2001. He was a director, President and Chief Executive Officer of Waban (now known as House2Home) from May 1993 to July 1997. House2Home filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code on November 7, 2001 (see "Relationship with House2Home; Conflicts of Interest" on page 19). Mr. Zarkin is Chairman of the Executive Committee and a member of the Finance Committee.

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### Incumbent Directors--Terms Expiring 2003

Kerry L. Hamilton, 51, has been a director of the Company since July 1997. She was a director of Waban from September 1994 to July 1997. Ms. Hamilton is Vice President, Marketing for Marshalls, a leading off-price retailer which is a division of The TJX Companies, Inc. Prior to joining Marshalls in April 1996, Ms. Hamilton was Vice Chairman of Pamet River Partners, a marketing consulting firm, for two years. Ms. Hamilton is a member of the Executive Compensation Committee.

Bert N. Mitchell, 64, has been a director of the Company since May 1998. In 1974, Mr. Mitchell founded Mitchell & Titus, LLP, the nation's largest minority-owned CPA firm, and serves as its Chairman and Chief Executive Officer. He is also Chairman of the Board of the Ariel Mutual Funds, which includes membership on the board of three individual funds. Mr. Mitchell is a member of the Audit Committee and the Special Committee.

John J. Nugent, 55, has been a director, President and Chief Executive Officer of the Company since July 1997. He was Executive Vice President of Waban and President of Waban's BJ's Wholesale Club division from September 1993 to July 1997. Mr. Nugent is a member of the Executive Committee and the Finance Committee.

### The Board of Directors and its Committees

The Audit Committee, which consists of three members (each of whom is independent, as defined by the applicable standards of the New York Stock Exchange), held four meetings during 2001. The Board of Directors first adopted and approved a written charter for the Audit Committee in June 2000. The Committee reviews with management, the internal audit group and the Company's independent accountants the Company's financial statements, the accounting principles applied in their preparation, the scope of the audit, any comments made by the independent accountants on the financial condition of the Company and its accounting controls and procedures, and such other matters as the Audit Committee deems appropriate. The Audit Committee also reviews with management matters relating to compliance with corporate policies.

The Executive Compensation Committee, which held five meetings during 2001,

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reviews salary policies and compensation of officers and other members of management and approves compensation plans and compensation of certain officers and other members of management. This Committee administers the Company's incentive plans, including the Stock Incentive Plan.

The Board of Directors also has an Executive Committee, which has authority to act for the Board on most matters during intervals between meetings of the Board and is responsible for considering the qualifications of, and recommending to the Board of Directors, nominees to fill Board vacancies. This Committee will consider nominees recommended by stockholders if such recommendations are in writing and timely filed with the Secretary of the Company in accordance with the Company's by-laws. This Committee did not meet during 2001.

In addition, the Board of Directors has a Finance Committee, which did not meet during 2001. This Committee reviews with management and advises the Board with respect to the Company's finances, including exploring methods of meeting the Company's financing requirements and planning the Company's capital structure.

In October 2001, the Board appointed a Special Committee to act for the Board on matters pertaining to House2Home (see "Relationship with House2Home; Conflicts of Interest" on page 19). This Committee met twice during 2001.

During 2001 the Board of Directors held five meetings and took action by written consent once. Each director attended all of the meetings of the Board and Committees of which he or she is a member.

### Compensation of Directors

Non-employee directors are paid an annual retainer of \$30,000 and fees of \$1,250 for each Board meeting attended, \$750 for each Committee meeting attended and \$750 for certain telephone meetings. In addition, the

Chairman of the Audit Committee and the Chairman of the Executive Compensation Committee are each paid \$2,500 per annum for their services as such. All directors are reimbursed for their expenses related to attendance at meetings.

Under the 1997 Director Stock Option Plan, as amended, on the date of each annual meeting, each continuing non-employee director is granted an option to acquire 2,500 shares of Common Stock, and each non-employee director newly elected, or elected after six months subsequent to the then most recent annual meeting, is granted an option to purchase 5,000 shares of Common Stock. Each non-employee director first elected as a director within six months after an annual meeting is granted an option for 5,000 shares of Common Stock on the date of such election. The option exercise price for each of these options is the fair market value of a share of Common Stock on the date of grant. Each option will expire ten years after the date of grant and will become exercisable in three equal annual installments beginning on the first day of the month which includes the first anniversary of the date of grant. If the director ceases to be a director prior to the date the option becomes fully exercisable, the unvested portion of the option will immediately expire. Any vested options will remain exercisable for a period of one year following cessation of service as a director of the Company. All unexercised options will become exercisable in full beginning 20 days prior to the consummation of a merger or consolidation, acquisition, reorganization or liquidation and, to the extent not exercised, shall terminate immediately after the consummation of such merger, consolidation, acquisition, reorganization or liquidation. Except

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as the Board may otherwise determine, options granted under this plan are not transferable.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of March 2, 2002 (unless otherwise indicated) by (i) each person known to the Company to beneficially own more than 5% of the outstanding shares of Common Stock, (ii) each director of the Company, (iii) each executive officer of the Company named in the Summary Compensation Table set forth on page 11, and (iv) all of the Company's current directors and executive officers as a group. Unless otherwise indicated, the address of each person listed in the table is c/o BJ's Wholesale Club, Inc., One Mercer Road, Natick, MA 01760.

Name and Address of Beneficial Owner -----	Number of Shares (1)	Percentage of Outstanding Common Stock (1)
Prudential Financial, Inc. (2)..... 751 Broad Street Newark, NJ 07102	5,523,440	7.7%
Jennison Associates LLC (3)..... 466 Lexington Avenue New York, NY 10017	5,341,866	7.4%
OppenheimerFunds, Inc. (4)..... 498 Seventh Avenue New York, NY 10018	4,715,050	6.6%
FMR Corp. (5)..... Fidelity Management & Research Company Edward C. Johnson 3d Abigail P. Johnson 82 Devonshire Street Boston, MA 02109	4,570,081	6.4%
S. James Coppersmith.....	15,284	*
Ronald R. Dion.....	6,880	*
Kerry L. Hamilton.....	13,262	*
Bert N. Mitchell.....	12,020	*
Thomas J. Shields.....	18,450	*
Lorne R. Waxlax.....	36,020	*
Edward J. Weisberger.....	21,384	*
Herbert J. Zarkin.....	533,783	*
John J. Nugent.....	520,747	*
Laura J. Sen.....	202,906	*
Michael T. Wedge.....	171,874	*
Frank D. Forward.....	110,376	*
All current directors and executive officers as a group (13 persons)	1,723,794	2.4%

\* Less than 1%.

(1) Includes, for the persons indicated, the following shares of Common Stock that may be acquired upon exercise of outstanding stock options which were exercisable on March 2, 2002 or within 60 days thereafter: Mr. Coppersmith,

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15,284 shares; Mr. Dion, 5,880 shares; Ms. Hamilton, 12,862 shares; Mr. Mitchell, 11,020 shares; Mr. Shields, 17,550 shares; Mr. Waxlax, 20,020 shares; Mr. Weisberger, 840 shares; Mr. Zarkin, 492,500 shares; Mr. Nugent, 509,947 shares; Ms. Sen, 188,810 shares; Mr. Wedge, 169,810 shares; Mr. Forward, 98,750 shares; all directors and executive officers as a group, 1,601,281 shares.

- (2) Information is as of December 31, 2001, and is based on a Schedule 13G filed by Prudential Financial, Inc. ("Prudential") with the Securities and Exchange Commission ("SEC"). Prudential reported that it had sole voting power and dispositive power with respect to 342,900 shares; shared voting power with respect to 4,981,740 shares; and shared dispositive power with respect to 5,180,540 shares. See also footnote 3 below.

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- (3) Information is as of December 31, 2001, and is based on a Schedule 13G filed by Jennison Associates LLC ("Jennison") with the SEC. Jennison reported that it had sole voting power with respect to 5,143,066 shares and shared dispositive power with respect to 5,341,866 shares. Jennison reported that it furnishes investment advice to several investment companies, insurance separate accounts and institutional clients. Prudential owns 100% of the equity interests of Jennison. Jennison does not file jointly with Prudential and, as such, shares of Common Stock reported in Jennison's Schedule 13G may be included in the shares reported on the Schedule 13G filed by Prudential referred to in footnote 2 above.
- (4) Information is as of December 31, 2001, and is based on a Schedule 13G filed by OppenheimerFunds, Inc. ("Oppenheimer") with the SEC. Oppenheimer reported that it had shared dispositive power with respect to 4,715,050 shares and no voting power with respect to such shares.
- (5) Information is as of December 31, 2001, and is based on a Schedule 13G (Amendment No. 2) filed with the SEC by FMR Corp., a holding company. FMR Corp. reported that (a) it (directly or indirectly) has sole dispositive power over all these shares, (b) it has sole voting power over 998,321 of these shares and no shared voting power, (c) these shares are held principally by Fidelity Management & Research Company, a wholly-owned investment adviser, and other investment companies and institutional accounts managed by subsidiaries of FMR Corp. and (d) the family of Edward C. Johnson 3d, including Mr. Johnson, the Chairman of FMR Corp., and his daughter Abigail P. Johnson, a director, and trusts for the family members' benefit may be deemed to form a controlling group with respect to FMR Corp.

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### PERFORMANCE GRAPH

Set forth below is a line graph comparing the cumulative total stockholder return on the Company's Common Stock, based on the market price of the Common Stock, with the cumulative total return of companies in the Standard & Poor's 500 Stock Index and the Dow Jones Industry Group Index RTB-Retail, Broadline from July 29, 1997 (the first day on which the Company's stock was publicly traded) to February 1, 2002 (the last trading day of fiscal 2001). The Dow Jones Industry Group Index RTB-Retail, Broadline is comprised currently of 25 specialty retail companies, including the Company. The graph assumes that the value of the investment at July 29, 1997 was \$100 and that all dividends were reinvested. The values of investments in the companies in the Standard & Poor's 500 Stock Index and the Dow Jones Industry Group Index RTB-Retail, Broadline were measured as of the date nearest to the end of the indicated period for which index data is readily available.



[GRAPH APPEARS HERE]

	7/29/97	1/30/98	7/31/98	1/29/99	7/30/99	1/28/00	7/31/00	2/02/01	7/31/01
BJ's Wholesale Club, Inc...	\$100	\$102.13	\$125.96	\$148.94	\$208.51	\$237.87	\$203.83	\$282.49	\$381.00
Dow Jones Industry Group Index RTD--Retail, Broadline.....	\$100	\$100.01	\$130.40	\$156.92	\$158.86	\$180.85	\$166.80	\$176.88	\$183.00
Standard & Poor's 500 Stock Index.....	\$100	\$103.56	\$119.28	\$137.20	\$143.38	\$151.40	\$156.25	\$150.04	\$133.00

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EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The following report has been submitted to the Board of Directors by its Executive Compensation Committee, in compliance with requirements of the SEC:

As members of the Executive Compensation Committee (the "ECC"), it is our responsibility to review the Company's compensation policies and programs, grant or approve incentive plan awards and approve all elements of compensation for the Company's executive officers, and administer the Company's stock incentive plans. All of the members of the ECC are independent, non-employee directors.

Executive Compensation Principles

The Company's executive compensation program is designed to provide competitive levels of compensation that:

- . Integrate compensation with the achievement of the Company's annual and long-term performance goals and business strategies,
- . Link management's long-term interests with stockholders' interests through stock-based awards,
- . Recognize management initiatives and achievements,
- . Reward outstanding corporate performance, and
- . Attract and retain key executives critical to the long-term success of the Company.

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), generally disallows a tax deduction to public companies for certain compensation in excess of \$1 million paid to the Company's Chief Executive Officer and the four other most highly compensated executive officers. Certain compensation, including qualified performance-based compensation, will not be subject to the deduction limit if certain requirements are met. The ECC reviews

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the potential effect of Section 162(m) periodically and, in general, the Company structures and administers its stock option plans in a manner intended to comply with the performance-based exception to Section 162(m). Nevertheless, there can be no assurance that compensation attributable to awards granted under the Company's stock option plans will be treated as qualified performance-based compensation under Section 162(m). In addition, the ECC reserves the right to use its judgment to authorize compensation payments that may be subject to the limit when the ECC believes such payments are appropriate and in the best interests of the Company and its stockholders, after taking into consideration changing business conditions and the performance of its executives.

### Compensation Policies for Executive Officers

The total compensation program for all executive officers, including executive officers named in the Summary Compensation Table, consists of both cash and equity-based compensation and takes into account applicable provisions of employment agreements of such officers. Through stock options and stock grants available under the Company's stock incentive plan, the ECC seeks to align executive officers' long-range interests with those of stockholders by providing executive officers with the opportunity to participate in the growth of the Company's stock value.

The ECC is advised by Towers Perrin, compensation consultants, concerning salary competitiveness and the design of the Company's compensation programs. Towers Perrin provides services to the Company, which are billed at hourly rates, on an "as requested" basis. The Company does not have a retainer or other contract with Towers Perrin. The Company has had consultations with Towers Perrin in the past year.

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**Base Salary.** Base salaries for the Company's executive officers, including Mr. Nugent, are set within ranges that are determined based upon a review of publicly available information concerning compensation paid to executives with similar responsibilities at certain peer companies. The ECC utilizes Towers Perrin to assist in the compilation and interpretation of this information. The companies selected for these purposes are retailing companies, including major competitors of the Company. Not all of these peer companies are included in the Dow Jones Industry Group Index RTB-Retail, Broadline which appears in the Performance Graph on page 7. While the ECC's overall objective is to set base salaries at approximately the midpoint of competitive ranges, an individual executive's placement within a range and salary adjustments are based upon the ECC's subjective evaluation of the executive's performance and value to the Company.

**Annual Incentive Program.** Under the Company's Management Incentive Plan ("MIP"), executive officers and other members of management are eligible to receive incentive cash awards based upon the level of achievement of pre-established annual performance goals. Mr. Zarkin is not eligible to earn awards under the MIP for periods beginning after February 3, 2001. At the beginning of each year, the ECC establishes the MIP performance goals and corresponding target awards, based on one or more of the following objective performance criteria: operating income, pre-tax income, net income, gross profit dollars, costs, any of the preceding measures as a percent of sales, earnings per share, sales, return on equity, and return on investment. Such goals, criteria and target awards may vary among participants. The ECC reviews the payout calculations after the year's financial results have been audited. Target awards for executive officers range from 20% to 50% of salary, but if targets are not met, there would be either no MIP award or a reduced award

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based on a percentage of the target realized. If results exceed goal(s), an executive officer could earn an additional award, depending upon the extent to which goals are exceeded. No executive officer may receive a MIP award in excess of \$1,000,000 in any calendar year or, if less, 100% of base salary earned for the applicable performance period. MIP awards for 2001 for the Company's executive officers, including Mr. Nugent, were based on the Company's net income. Net income of the Company exceeded its MIP goal, resulting in payouts to Mr. Nugent and to the Company's other executive officers equal to 107.51% of the target awards. MIP performance goals for 2002 for the Company's executive officers, including Mr. Nugent, are based on the Company's net income.

Long-Term Incentive Program. The Company's Growth Incentive Plan ("BJGIP") is intended to provide high-level executives of the Company, as selected by the ECC, with cash awards based upon the growth and performance of the Company. Mr. Zarkin does not participate in the BJGIP. All other executive officers, including Mr. Nugent, currently participate in the BJGIP, as do 41 other employees of the Company. Awards are earned based on one or more of the following objective measures of performance or growth, as selected by the ECC at the beginning of the award period: operating income, pre-tax income, net income, costs, any of the preceding measures as a percent of sales, earnings per share, sales, return on equity, and return on investment. All relevant factors upon which the cash award is based (e.g., performance measurement, length of award period, relation between performance and cash award) are determined at the beginning of the award period by the ECC. Awards issued to the Company's executive officers in 1998 were based on cumulative net income for the Company for the three-year period ended February 3, 2001. Fifty percent of the value of awards issued under the BJGIP in 1998 was paid in cash in each of April 2001 and April 2002. Awards issued to the Company's executive officers in 2000 were based on cumulative net income for the Company for the three-year period ending February 1, 2003 and are payable in cash 50% in April 2003, contingent on employment continuing through February 1, 2003, and 50% in April 2004, contingent on employment continuing through March 31, 2004. Awards issued to the Company's executive officers in 2002 were based on cumulative net income for the Company for the three-year period ending January 29, 2005. Awards issued under the BJGIP in 2002 are payable in cash 100% in April 2005, contingent on employment continuing through March 31, 2005. There is no target amount for each award. However, there is a threshold amount based on the Company's growth, and the value of each award increases as achievement of the performance measurement increases. No individual award payment can exceed \$2,000,000 in any calendar year.

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The Company has made it a practice to provide incentives to its executive officers and other senior executives to achieve long-range goals that are typically expressed as either a compounded rate of earnings growth or three-year cumulative earnings. In determining the level of long-term incentive awards, the ECC takes into account a survey of the same peer companies referred to above, but does not target a specific percentile.

Stock-Based Incentives. Stock options are awarded to the Company's key employees, including Mr. Nugent and other executive officers, by the ECC, based on its subjective assessment of the following factors: the compensation level and responsibility of the particular employee, the employee's contribution towards Company performance, and a survey of competitive compensation data of the same group of peer companies referred to previously in this report. The ECC generally targets awards to the median of such survey. The options are designed to reward recipients to the extent the Company's stock value is enhanced. Because of the vesting provisions of such grants, the options also provide an incentive for the employee to remain with the Company. Since the ECC does not

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grant options on a cumulative basis, the size of previous grants is not a factor in making current grants.

Chief Executive Officer Compensation

Pursuant to the terms of Mr. Nugent's employment contract, his salary is reviewed annually by the ECC. His salary was set at \$700,000, effective June 3, 2001. Mr. Nugent's salary and the number of options (65,000) granted to him in 2001 were subjectively determined to provide a fully competitive compensation opportunity, based on Mr. Nugent's success in providing leadership to the Company, and after a review of competitive compensation data of the same group of peer companies referred to previously in this report without targeting a specific percentile range. The ECC believes stock option grants encourage long-term performance and promote management retention while further aligning stockholders' and management's common interest in enhancing the value of the Company's Common Stock.

Mr. Nugent's current MIP award provides a target opportunity equal to 50% of base salary if performance goals are met; the actual payout can vary between 0% and 100% of base salary for the performance period. The MIP payout to Mr. Nugent for 2001 was equal to 54% of his fiscal 2001 salary.

Executive Compensation Committee

Lorne R. Waxlax, Chairman  
 S. James Coppersmith  
 Kerry L. Hamilton  
 Thomas J. Shields

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Compensation of Executives

The following table sets forth certain information concerning the annual and long-term compensation paid for fiscal 2001, 2000 and 1999 to (i) the Company's Chief Executive Officer and (ii) the Company's four other most highly compensated executive officers during 2001 who were serving as executive officers of the Company on February 2, 2002 (collectively, the "Named Executive Officers").

Summary Compensation Table

Name and Principal Position	Year (1)	Annual Compensation			Long-Term Compensation			All Other Compensation (5)
		Salary	Bonus	Other Annual Compensation (2)	Awards		Payouts	
					Securities Underlying Options (3)	LTIP Payouts (4)		
John J. Nugent..... President and Chief Executive Officer	2001	\$683,654	\$367,498	\$32,985	65,000	\$454,740	\$39,283	
	2000	662,500	403,562	27,789	165,000	454,740	38,225	
	1999	632,692	614,913	26,763	100,000	386,528	36,435	
Herbert J. Zarkin.....	2001	350,000	--	21,767	--	--	20,900	

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Chairman of the Board	2000	356,731	217,302	14,963	250,000	--	21,237	
	1999	350,000	340,165	14,805	--	257,685	20,645	
Laura J. Sen.....	2001	288,462	93,038	14,210	25,000	303,160	19,523	
	Executive Vice President, Merchandising	2000	280,289	102,443	11,757	65,000	303,160	19,114
		1999	269,808	157,335	11,413	30,000	180,380	18,290
Michael T. Wedge.....	2001	288,462	93,038	14,407	25,000	303,160	19,435	
	Executive Vice President, Club Operations	2000	280,289	102,443	11,757	65,000	303,160	18,514
		1999	269,808	157,335	11,413	30,000	180,380	17,840
Frank D. Forward.....	2001	273,462	88,200	13,395	25,000	303,160	18,773	
	Executive Vice President, Chief Financial Officer	2000	265,000	96,855	11,116	65,000	303,160	18,350
		1999	249,615	145,561	10,559	30,000	128,843	17,281

- 
- (1) Refers to fiscal year ended on the Saturday closest to January 31 of the following year. 2001 and 1999 were 52-week years. 2000 was a 53-week fiscal year.
  - (2) Includes reimbursement for tax liabilities related to the Company's Executive Retirement Plan ("BJERP") (see "Retirement Benefits") and excludes perquisites having an aggregate value less than the lesser of \$50,000 or 10% of salary plus bonus.
  - (3) Reflects the grant of options to purchase Common Stock. The Company has never granted stock appreciation rights.
  - (4) Payouts for 2001 and 2000 represent 50% of the BJGIP award earned by the Named Executive Officers for the three-year performance period ended February 3, 2001. Payouts for 1999 represent the remaining 50% of the award earned by the Named Executive Officers for the three-year performance period ended January 30, 1999.

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- (5) For 2001, represents the Company's contributions under the BJ's 401(k) Savings Plan for Salaried Employees and the BJERP (see "Retirement Benefits") as presented below:

	2001 Company Contributions	
	-----	
	401(k) Savings	
	Plan	BJERP
	-----	-----
John J. Nugent.....	\$5,100	\$34,183
Herbert J. Zarkin.....	3,400	17,500
Laura J. Sen.....	5,100	14,423
Michael T. Wedge.....	5,012	14,423
Frank D. Forward.....	5,100	13,673

Stock Option Grants

The following table sets forth the stock option grants made by the Company to each of the Named Executive Officers during 2001:

Option Grants in Last Fiscal Year

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Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term(2)		
	Number of Securities Underlying Options Granted(1)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price Per Share(1)	Expiration Date	0%(3)	5%	10%
John J. Nugent...	65,000	8.8%	\$45.30	9/25/11	\$ 0	\$1,851,780	\$4,692,775
Herbert J. Zarkin	--	--	--	--	--	--	--
Laura J. Sen.....	25,000	3.4	45.30	9/25/11	0	712,223	1,804,913
Michael T. Wedge.	25,000	3.4	45.30	9/25/11	0	712,223	1,804,913
Frank D. Forward.	25,000	3.4	45.30	9/25/11	0	712,223	1,804,913

- (1) All options granted in 2001 were granted with an exercise price equal to the closing price of the Common Stock on the New York Stock Exchange on the date of grant. These options expire ten years from the grant date and vest in equal annual installments over four years. All options vest upon a change of control (as defined).
- (2) The dollar amounts in these columns are the result of calculations at 0% and the arbitrary appreciation rates of 5% and 10% set by the SEC and are not intended to forecast possible future appreciation, if any, of the Company's stock price.
- (3) No gain to the optionees is possible without an appreciation in stock price, which will benefit all stockholders commensurately. A zero percent stock price appreciation will result in zero gain for the optionee.

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Aggregated Option Exercises and Valuation

The following table sets forth, on an aggregated basis, the exercise of stock options during fiscal 2001 by each of the Named Executive Officers and the fiscal year-end value of unexercised options held by such officers:

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

Number of Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-The-Money Options at Fiscal Year-End(1)	
		Exercisable	Unexercisable	Exercisable	Unexercisable
-----	-----	-----	-----	-----	-----

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John J. Nugent...	60,560	\$2,349,770	509,947	263,750	\$15,166,284	\$3,884,078
Herbert J. Zarkin	250,000	8,429,025	492,500	187,500	16,990,494	1,994,531
Laura J. Sen.....	20,112	942,321	181,310	91,250	5,627,453	1,363,203
Michael T. Wedge.	40,928	1,762,045	162,310	91,250	4,860,423	1,363,203
Frank D. Forward.	68,290	2,494,516	91,250	91,250	2,316,703	1,363,203

-----

(1)Based on the fair market value of the Common Stock on February 1, 2002 (\$47.70 per share), less the option exercise price.

### Retirement Benefits

Under the BJERP, employees in high-level management positions in the Company, as selected by the ECC, including all executive officers, are eligible to receive annual cash retirement contributions in an amount determined by the ECC; provided that the annual retirement contribution shall equal, on an after-tax basis, at least three percent of the participant's base salary. All amounts paid under the BJERP are to be used exclusively to fund an investment vehicle, selected by the ECC, which is appropriate to provide retirement income, such as an insurance policy.

The Company made retirement contributions after the end of 2001 equal to 5% (net of taxes) of each participant's base salary during 2001. If a participant terminates employment prior to the end of the fiscal year in which the participant is credited with four years of service, the participant forfeits the right to any benefit under the BJERP. As of February 2, 2002, all executive officers were credited with at least four years of service.

### Employment Agreements

Pursuant to his employment agreement, Mr. Nugent receives an annual base salary of \$700,000 and participates in specified incentive and other benefit plans. The Company is entitled to terminate Mr. Nugent's employment at any time with or without cause (as defined). If Mr. Nugent's employment is terminated by the Company other than for cause, the Company is required to pay certain cash compensation amounts and to continue payment of Mr. Nugent's base salary and certain benefits for 12 months after termination at the rate in effect upon termination. The continuing base salary payments are subject to reduction after three months for compensation earned by Mr. Nugent from other employment, and the continuing benefits are subject to reduction at any time for comparable benefits received by Mr. Nugent from other employment.

Pursuant to his employment agreement, Mr. Zarkin receives an annual base salary of \$350,000 and participates in specified incentive and other benefit plans. Mr. Zarkin is not eligible to earn any awards under the Company's MIP for periods beginning after February 3, 2001. Mr. Zarkin must generally devote approximately one-half of his working time and attention to the performance of his duties and responsibilities under his

employment agreement. The Company is entitled to terminate Mr. Zarkin's employment at any time with or without cause (as defined). If his employment terminates by reason of death, disability, incapacity or termination by the Company other than for cause, or if Mr. Zarkin resigns as a result of his being removed from his positions with the Company or as result of being relocated more than 40 miles from the Company's current headquarters, Mr. Zarkin is entitled to payment of certain cash compensation amounts and continuation of base salary and certain benefits for a period of 12 months after termination at

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the rate in effect upon termination. Any stock options or other stock-based awards held by Mr. Zarkin on the date of termination will continue to vest for three years, when they will expire, unless they expire earlier by their terms. The continuing base salary payments are subject to reduction after three months for compensation earned by Mr. Zarkin from other employment (other than any employment by House2Home), and the continuing benefits are subject to reduction at any time for comparable benefits received by Mr. Zarkin from other employment.

The Company has an employment agreement with each of Ms. Sen and Messrs. Wedge and Forward under which they receive annual base salaries of \$295,000, \$295,000 and \$280,000, respectively, and participate in specified incentive and other benefit plans. If employment is terminated by the Company other than for cause, each such executive is entitled to payment of certain cash compensation amounts and to certain benefits and continuation of base salary for 12 months after termination at the rate in effect upon termination. The continuing base salary payments are subject to reduction after three months for compensation earned by the executive from other employment, and the continuing benefits are subject to reduction at any time for comparable benefits received by the executive from other employment.

In the event of a change of control followed by termination of employment as described below under "Change of Control Severance Benefits," each of the Company's executive officers would be entitled to the termination benefits described thereunder, to the extent such benefits would exceed the benefits otherwise described above.

### Change of Control Severance Benefits

The Company provides change of control severance benefits to its executive officers under individual agreements. Under the agreements, in general, upon the earlier of a Change of Control or a Potential Change of Control (as such terms are defined in the agreements) of the Company, the executive would be entitled to accelerated lump-sum payments of the MIP target award prorated for the year in which the change of control occurs. If, during the Standstill Period (which is 24 months after a Change of Control, except that if a Change of Control does not occur within 12 months of the Potential Change of Control, the Standstill Period will end 12 months after the Potential Change of Control), the Company were to terminate the executive's employment other than for cause (as defined) or the executive were to terminate employment for reasons specified in the agreement, or if employment were to terminate by reason of death, disability or incapacity, the executive would be entitled to receive an amount equal to two times the executive's annual base salary and MIP, except for Mr. Nugent who would be entitled to receive three times his annual base salary and MIP, unless the executive's termination occurs between eight and twelve months after a Change of Control and is voluntary, in which event the executive would be entitled to receive an amount equal to the executive's annual salary and MIP. For up to two years following termination, the Company would also be obligated to provide specified benefits, including continued medical and life insurance benefits, except for Mr. Nugent who would be entitled to receive such benefits for up to three years, unless the executive's termination occurs between eight and twelve months after a Change of Control and is voluntary, in which event the executive would be entitled to receive such benefits for up to one year. In the event of a Change of Control, the Company may reduce any payments to the executive to the extent necessary to preserve the tax deductibility of such payments under the Code. The Company would also be obligated to pay all legal fees and expenses reasonably incurred by the executive in seeking enforcement of contractual rights to which the executive becomes entitled during the Standstill Period. In addition, upon involuntary termination within the Standstill Period, any agreement by the executive not to compete with the Company following termination of the executive's employment would cease to be effective.



#### Indemnification Agreements

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

#### AMENDMENT TO THE 1997 STOCK INCENTIVE PLAN

On February 6, 2002, the Board of Directors adopted, subject to approval by the stockholders, an amendment to the Stock Incentive Plan increasing by 2,000,000 the maximum number of shares of Common Stock issuable under the Stock Incentive Plan.

As of March 31, 2002, 467,858 shares remained available for future grants under the Stock Incentive Plan. Management believes that the addition of 2,000,000 shares should provide a sufficient number of shares to enable options and other grants to be made under the Stock Incentive Plan for the foreseeable future.

As of March 31, 2002, options and stock-based awards have been granted under the Stock Incentive Plan with respect to an aggregate of 4,847,522 shares (net of cancellations and forfeitures). The Board of Directors believes that the proposed increase in the number of shares issuable under the Stock Incentive Plan will facilitate the purposes of the Stock Incentive Plan, which are to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who make (or are expected to make) important contributions to the Company by providing such persons with equity ownership opportunities and performance-based incentives and thereby better aligning the interests of such persons with those of the Company's stockholders. The Board of Directors believes that the continued grant of options and stock-based awards is an important element in attracting and retaining key employees who are expected to contribute to the Company's growth and success.

THE BOARD OF DIRECTORS RECOMMENDS THAT ALL STOCKHOLDERS VOTE  
"FOR" THE PROPOSED AMENDMENT TO THE STOCK INCENTIVE PLAN.

#### Summary of the Stock Incentive Plan

The following is a brief summary of the Stock Incentive Plan. The summary is qualified in its entirety by reference to the Stock Incentive Plan, a copy of which is attached to the electronic copy of this proxy statement filed with the SEC and may be accessed from the SEC's home page ([www.sec.gov](http://www.sec.gov)). In addition, a copy of the Stock Incentive Plan may be obtained by making a written request to the Secretary of the Company.

#### Description of Awards

The Stock Incentive Plan provides for the grant of incentive stock options, nonstatutory stock options, restricted stock awards and other stock-based awards, including the grant of shares based upon certain conditions, the grant of securities convertible into Common Stock and the grant of stock appreciation rights (collectively "Awards").

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**Incentive Stock Options and Nonstatutory Stock Options.** Optionees receive the right to purchase a specified number of shares of Common Stock at a specified option price and subject to such other terms and conditions as are specified in connection with the option grant. Options may not be granted at an exercise price which is less than 100% of the fair market value of the Common Stock on the date of grant and may not be granted for a term in excess of ten years. Incentive stock options granted to any employee who owns more than 10% of the Company's Common Stock have additional restrictions. The Stock Incentive Plan permits the Board to determine the manner of payment of the exercise price of options, including through payment by cash, check or, in connection with a "cashless exercise" through a broker, by surrender to the Company of shares of Common Stock, by delivery to the Company of a promissory note, or by any other lawful means.

**Restricted Stock Awards.** Restricted stock awards entitle recipients to acquire shares of Common Stock, subject to the right of the Company to repurchase all or part of such shares from the recipient in the event that the conditions specified in the applicable award are not satisfied prior to the end of the applicable restriction period established for such award.

**Other Stock-Based Awards.** Under the Stock Incentive Plan, the Board of Directors has the right to grant other Awards based upon the Common Stock having such terms and conditions as the Board may determine, including the grant of shares based upon certain conditions, the grant of securities convertible into Common Stock and the grant of stock appreciation rights.

#### Eligibility to Receive Awards

Officers, employees, directors, consultants and advisors of the Company and its subsidiaries are eligible to receive Awards under the Stock Incentive Plan. The maximum number of shares with respect to which an Award may be granted to any participant under the Stock Incentive Plan may not exceed 500,000 shares per calendar year.

#### Administration

The Stock Incentive Plan is administered by the Company's Board of Directors. The Board has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the Stock Incentive Plan and to interpret the provisions of the Stock Incentive Plan. Pursuant to the terms of the Stock Incentive Plan, the Board of Directors may delegate authority under the Stock Incentive Plan to one or more committees of the Board, and subject to certain limitations, to one or more executive officers of the Company. The Board has authorized the ECC to administer certain aspects of the Stock Incentive Plan, including the granting of options to executive officers. Subject to any applicable limitations contained in the Stock Incentive Plan, the Board of Directors, the ECC, or any other committee or executive officer to whom the Board delegates authority, as the case may be, selects the recipients of Awards and determines (i) the number of shares of

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Common Stock covered by options and the dates upon which such options become exercisable, (ii) the exercise price of options (which may not be less than 100% of fair market value on the date of grant), (iii) the duration of options (which may not exceed ten years), and (iv) the number of shares of Common Stock subject to any restricted stock or other stock-based Awards and the terms and conditions of such Awards, including conditions for repurchase, issue price and repurchase price.

The Board of Directors is required to make appropriate adjustments in connection with the Stock Incentive Plan and any outstanding Awards to reflect stock dividends, stock splits and certain other events. In the event of a merger, liquidation or other Acquisition Event (as defined in the Stock Incentive Plan), the Board of Directors is authorized to provide for outstanding options or other stock-based Awards to be assumed or substituted for, to accelerate the Awards to make them fully exercisable prior to consummation of the Acquisition Event or to provide for a cash-out of any outstanding options. In addition, upon the occurrence of a Change of Control Event (as defined in the Stock Incentive Plan) all options and stock appreciation rights then outstanding will automatically become immediately exercisable in full and the restrictions and conditions on all other Awards then outstanding shall automatically be deemed to be waived to the extent, if any, specified by the Board at or after the time of grant. If any Award expires or is terminated, surrendered, canceled or forfeited, the unused shares of Common Stock covered by such Award will again be available for grant under the Stock Incentive Plan.-

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### Amendment or Termination

No Award may be made under the Stock Incentive Plan after July 27, 2007. The Board of Directors may at any time amend, suspend or terminate the Stock Incentive Plan, except that no Award designated as subject to Section 162(m) of the Code by the Board of Directors after the date of such amendment shall become exercisable, realizable or vested (to the extent such amendment was required to grant such Award) unless and until such amendment shall have been approved by the Company's stockholders.

### Federal Income Tax Consequences

The following generally summarizes the United States federal income tax consequences that generally will arise with respect to Awards granted under the Stock Incentive Plan. This summary is based on the tax laws in effect as of the date of this proxy statement. Changes to these laws could alter the tax consequences described below.

### Incentive Stock Options

A participant will not have income upon the grant of an incentive stock option. Also, except as described below, a participant will not have income upon the exercise of an incentive stock option if the participant has been employed by the Company or its corporate parent or majority-owned corporate subsidiary at all times beginning with the option grant date and ending three months before the date the participant exercises the option. If the participant has not been so employed during that time, then the participant will be taxed as described below under "Nonstatutory Stock Options." The exercise of an incentive stock option may subject the participant to the alternative minimum tax.

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A participant will have income upon the sale of the Common Stock acquired under an incentive stock option at a profit (if sales proceeds exceed the exercise price). The type of income will depend on when the participant sells the Common Stock. If a participant sells the Common Stock more than two years after the option was granted and more than one year after the option was exercised, then all of the profit will be long-term capital gain. If a participant sells the Common Stock prior to satisfying these waiting periods, then the participant will have engaged in a disqualifying disposition and a portion of the profit will be ordinary income and a portion may be capital gain. This capital gain will be long-term if the participant has held the Common Stock for more than one year and otherwise will be short-term. If a participant sells the Common Stock at a loss (sales proceeds are less than the exercise price), then the loss will be a capital loss. This capital loss will be long-term if the participant held the Common Stock for more than one year and otherwise will be short-term.

### Nonstatutory Stock Options

A participant will not have income upon the grant of a nonstatutory stock option. A participant will have compensation income upon the exercise of a nonstatutory stock option equal to the value of the Common Stock on the day the participant exercised the option less the exercise price. Upon the sale of the Common Stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the Common Stock on the day the option was exercised. This capital gain or loss will be long-term if the participant has held the Common Stock for more than one year and otherwise will be short-term.

### Restricted Stock Awards

A participant will not have income upon the grant of restricted stock unless an election under Section 83(b) of the Code is made within 30 days of the date of grant. If a timely 83(b) election is made, then a participant will have compensation income equal to the value of the Common Stock less the purchase price. When the Common Stock is sold, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the Common Stock on the date of grant. If the participant does not make an 83(b) election, then, when the Common Stock vests, the participant will have compensation income equal to the value of the Common

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Stock on the vesting date less the purchase price. When the Common Stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the Common Stock on the vesting date. Any capital gain or loss will be long-term if the participant held the Common Stock for more than one year and otherwise will be short-term.

### Other Stock-Based Awards

The tax consequences associated with any other stock-based award granted under the Stock Incentive Plan will vary depending on the specific terms of such award. Among the relevant factors are whether or not the award has a readily ascertainable fair market value, whether or not the award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the award and the participant's holding period and tax basis for the award or underlying Common Stock.

### Tax Consequences to the Company

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There will be no tax consequences to the Company except that the Company will be entitled to a deduction when a participant has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

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As of March 31, 2002, the Company had approximately 15,700 employees and seven non-employee directors, all of whom were eligible to participate in the Stock Incentive Plan. On March 31, 2002, the closing sale price of the Common Stock on the New York Stock Exchange was \$44.70.

The granting of Awards under the Stock Incentive Plan is discretionary, and the Company cannot now determine the number or type of Awards to be granted in the future to any particular person or group. Except for the grant of restricted stock awards to four non-executive officer employees aggregating 7,000 shares, the Company has granted only stock options and has never granted other stock-based awards under the Stock Incentive Plan. The following table sets forth the aggregate number of shares subject to options granted to the indicated persons and groups under the Stock Incentive Plan from the inception of the Stock Incentive Plan in 1997 to the date of this proxy statement.

### 1997 Stock Incentive Plan

Name and Position- -----	Number of Shares -----
John J. Nugent, President and Chief Executive Officer.....	730,000
Herbert J. Zarkin, Chairman of the Board.....	250,000
Laura J. Sen, Executive Vice President, Merchandising.....	220,000
Michael T. Wedge, Executive Vice President, Club Operations-.....	220,000
Frank D. Forward, Executive Vice President, Chief Financial Officer-	220,000
Ronald R. Dion, nominee for director.....	--
Lorne R. Waxlax.....	--
Edward J. Weisberger, nominee for director.....	--
All current executive officers, as a group.....	1,672,000
All non-executive officer directors, as a group.....	--
All non-executive officer employees, as a group-.....	5,013,532

### RELATIONSHIP WITH HOUSE2HOME; CONFLICTS OF INTEREST

In connection with the spin-off of the Company from Waban in July 1997 (the "Distribution"), BJ's and HomeBase, Inc. (now known as House2Home, Inc. ("House2Home")), entered into several agreements. Although the following summaries of certain of these agreements set forth an accurate description of their material terms and provisions, such summaries are qualified in their entirety by reference to the detailed provisions of the agreements, each of which has previously been filed with the SEC.

#### Distribution Agreement

BJ's and House2Home entered into a Separation and Distribution Agreement (the "Distribution Agreement"), which provided for, among other things, (i) the division between BJ's and House2Home of certain assets and liabilities; (ii) other agreements governing certain aspects of the relationship between BJ's and House2Home following the Distribution; and (iii) an agreement regarding certain matters relating to lease liabilities described below.

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Under the Distribution Agreement, except as provided in the other agreements, BJ's agreed to indemnify House2Home for liabilities relating to BJ's business. Similarly, House2Home agreed to indemnify BJ's for liabilities pertaining to House2Home's business. The Distribution Agreement also requires BJ's and

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House2Home to indemnify each other for losses incurred due to a failure to perform their respective obligations under the Distribution Agreement or any other agreement entered into in connection with the Distribution. In addition, the Distribution Agreement provides that House2Home will provide liability insurance for a period of six years following the Distribution to each individual who served as a director or officer of Waban prior to the Distribution. BJ's also agreed to indemnify, defend and hold harmless each such individual from any losses and liabilities incurred in connection with the approval of the Distribution Agreement.

### Leases

Pursuant to the Distribution Agreement, effective upon the Distribution, BJ's assumed all liabilities to third-party lessors with respect to leases entered into by Waban with respect to the BJ's Division and agreed to indemnify House2Home for such liabilities.

In connection with the spin-off of Waban by The TJX Companies, Inc. ("TJX") in 1989, Waban and TJX entered into an agreement (the "1989 Agreement") pursuant to which Waban agreed to indemnify TJX against any liabilities that TJX might incur with respect to certain House2Home real estate leases as to which TJX was either a lessee or guarantor. Pursuant to a subsequent agreement, BJ's agreed to indemnify TJX for 100% of House2Home's lease liabilities through January 31, 2003, and for 50% of such liabilities thereafter.

House2Home filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code on November 7, 2001. In 2001, the Company recorded pre-tax charges of \$106.4 million (including interest accretion charges of \$1.4 million), for its estimated loss associated with House2Home leases. On a post-tax basis, these charges totaled \$63.8 million, or \$.87 per diluted share. This loss was based on the present value of rent liabilities under these leases, including estimated real estate taxes and common area maintenance charges, reduced by estimated income from the subleasing of these properties. An annual discount rate of 6% was used to calculate the present value of these lease obligations.

### Tax Sharing Agreement

BJ's and House2Home entered into a Tax Sharing Agreement (the "Tax Sharing Agreement") providing for the allocation between the parties of federal, state, local and foreign tax liabilities, and the entitlement to tax refunds, for periods beginning prior to the date of the Distribution, and various related matters. Each party has agreed to indemnify the other in specified circumstances if certain events cause the Distribution or related transactions to become taxable. The Tax Sharing Agreement will continue in effect until otherwise agreed to in writing by BJ's and House2Home.

### Procedures for Addressing Conflicts

As a result of the Distribution, BJ's and House2Home have significant contractual and other ongoing relationships that may present certain conflict

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situations for Mr. Zarkin, who serves as Chairman of the Board of Directors of both companies, for Messrs. Waxlax and Weisberger, who serve as directors of the Company and who served as directors of House2Home from July 1997 to March 2002, and for Ms. Hamilton, who serves as a director of the Company and is an officer of TJX. BJ's has adopted procedures to be followed by its Board of Directors to limit the involvement of such persons in conflict situations whereby all transactions being considered by BJ's which relate to House2Home must (i) be approved by a majority of the Board of Directors and by a majority of the disinterested members of the Board of Directors and (ii) be on terms no less favorable to BJ's than could be obtained from unaffiliated third parties, as determined by a majority of the Board of Directors and by a majority of the disinterested members of the Board of Directors.

In October 2001, the Board appointed a Special Committee comprised of Messrs. Coppersmith, Dion and Mitchell, each of whom is a disinterested and independent member of the Board, to act for the Board on matters pertaining to House2Home.

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### Tax-Free Spin-Off

Prior to the Distribution, Waban received a letter ruling from the Internal Revenue Service to the effect that, for federal income tax purposes, the Distribution would qualify as a spin-off under Section 355 of the Code and would be tax-free to Waban and the holders of its common stock at the time of the Distribution. Certain future events not within the control of BJ's could cause the Distribution not to qualify for tax-free treatment.

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

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater-than-ten-percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and written representations that no other reports were required, all Section 16(a) filing requirements applicable to its directors, officers and greater-than-ten-percent beneficial owners with respect to fiscal 2001 were met.

### AUDIT COMMITTEE REPORT

The Audit Committee (the "Committee") consists of three directors, each of whom is independent as defined by the applicable standards of the New York Stock Exchange. A brief description of the responsibilities of the Committee is set forth above under the caption "The Board of Directors and its Committees" on page 3.

The Committee has reviewed and discussed the Company's audited financial statements for fiscal 2001 with the management of the Company. The Committee has discussed with PricewaterhouseCoopers LLP, the Company's independent accountants, the matters required to be discussed by Statement on Auditing Standards 61 (as modified or supplemented). The Committee also has received the written disclosures and the letter from PricewaterhouseCoopers LLP required by

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Independence Standards Board Standard No. 1 (as modified or supplemented), and has discussed with PricewaterhouseCoopers LLP its independence. The Committee also considered whether the independent accountants' provision of the other, non-audit related services to the Company which are referred to in "All Other Fees" on page 22 is compatible with maintaining such accountants' independence.

Based on the review and the discussions referred to above, the Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2002 for filing with the SEC.

The Audit Committee

Thomas J. Shields, Chairman

Ronald R. Dion

Bert N. Mitchell

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### INDEPENDENT AUDITORS FEES AND OTHER MATTERS

#### Audit Fees

PricewaterhouseCoopers LLP billed the Company an aggregate of \$320,856 in fees for professional services rendered in connection with the audit of the Company's financial statements for the most recent fiscal year and the reviews of the financial statements included in each of the Company's quarterly reports on Form 10-Q during the fiscal year ended February 2, 2002.

#### Financial Information Systems Design and Implementation Fees

PricewaterhouseCoopers LLP did not bill the Company for any professional services rendered to the Company and its affiliates for the fiscal year ended February 2, 2002 in connection with financial information systems design or implementation, the operation of the Company's information system or the management of its local area network.

#### All Other Fees

PricewaterhouseCoopers LLP billed the Company an aggregate of \$60,640 in fees for other services rendered to the Company and its affiliates for the fiscal year ended February 2, 2002.

#### Appointment

The Board of Directors has appointed PricewaterhouseCoopers LLP as independent auditors to examine the financial statements of the Company for the fiscal year ending February 1, 2003. The Company expects that representatives of PricewaterhouseCoopers LLP will be present at the meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

### STOCKHOLDER PROPOSALS

Proposals of stockholders intended to be presented at the next annual meeting of stockholders, pursuant to Rule 14a-8 under the Exchange Act, must be received by the Company no later than 5 p.m. EST on December 24, 2002 in order to be considered for inclusion in the Company's proxy materials for that meeting. The Company suggests that proponents submit their proposals via registered or certified mail addressed to Sarah M. Gallivan, Secretary, BJ's



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Wholesale Club, Inc., One Mercer Road, Natick, Massachusetts 01760.

The Company's by-laws require that the Company be given advance written notice of stockholder nominations for election to the Company's Board of Directors and of other matters which stockholders wish to present for action at an annual meeting of stockholders (other than matters included in the Company's proxy materials in accordance with Rule 14a-8 under the Exchange Act). The Secretary must receive such notice at the address noted above not less than 70 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 20 days, or delayed by more than 70 days, from such anniversary date, the Secretary must receive such notice not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 70th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such annual meeting is first made. Assuming that the 2003 Annual Meeting is held during the period from May 3, 2003 to August 1, 2003 (as it is expected to be), in order to comply with the time periods set forth in the Company's by-laws, appropriate notice would need to be provided to the Secretary of the Company at the address noted above no earlier than February 22, 2003 and no later than March 14, 2003. If a stockholder fails to provide timely notice of a proposal to be presented at the 2003 Annual Meeting, the proxies designated by the Board of Directors of the Company will have discretionary authority to vote on any such proposal which may come before the meeting.

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

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### OTHER MATTERS

The Board of Directors has no knowledge of any other matter which may come before the meeting and does not intend to present any such other matter. However, if any such other matters shall properly come before the meeting or any adjournment thereof, the persons named as proxies will have discretionary authority to vote the shares represented by the accompanying proxy in accordance with their own judgment.

The Executive Compensation Committee Report on Executive Compensation appearing above on pages 8 through 10, the Audit Committee Report appearing on page 21 and the Performance Graph appearing on page 7 shall not be deemed incorporated by reference by any general statement incorporating this proxy statement into any filing under the Securities Act of 1933, as amended, or under the Exchange Act, except to the extent that the Company specifically incorporates such information by reference, and shall not otherwise be deemed filed under such Acts.

The cost of solicitation of proxies will be borne by the Company. The Company has retained Georgeson Shareholder Communications Inc. to assist in soliciting proxies by mail, telephone and personal interview for a fee of \$6,000 plus expenses. Officers and employees of the Company may, without additional remuneration, also assist in soliciting proxies in the same manner.

### Householding of Annual Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means

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that only one copy of the Company's proxy statement or annual report to stockholders may have been sent to multiple stockholders in each household. The Company will promptly deliver a separate copy of either document to any stockholder upon written or oral request to the Investor Relations Department of the Company, BJ's Wholesale Club, Inc., One Mercer Road, Natick, MA 01760, telephone: (508) 651-6650. Any stockholder who wants to receive separate copies of the proxy statement or annual report to stockholders in the future, or any stockholder who is receiving multiple copies and would like to receive only one copy per household, should contact the stockholder's bank, broker, or other nominee record holder, or the stockholder may contact the Company at the above address and phone number.

By Order of the Board of Directors

SARAH M. GALLIVAN  
Secretary

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[LOGO] RECYCLED PAPER  
Printed on Recycled Paper  
[LOGO] SOY INK  
and  
PRINTED WITH SOY INK

APPENDIX A

BJ'S WHOLESALE CLUB, INC.

AMENDMENT TO  
1997 STOCK INCENTIVE PLAN

The BJ's Wholesale Club, Inc. 1997 Stock Incentive Plan (the "Plan") is hereby amended as follows (capitalized terms used herein and not defined herein shall have the respective meaning ascribed to such terms in the Plan):

Section 4(a) of the Plan shall be deleted in its entirety and replaced with the following:

"(a) Number of Shares. Subject to adjustment under Section 4(c), Awards may be made under the Plan for up to the sum of (i) 6,000,000 (post-March 1999 two-for-one stock split) shares of common stock, \$0.01 par value per share, of the Company (the "Common Stock") plus (ii) such additional number of shares of Common Stock (up to 4,000,000 post-March 1999 two-for-one stock split) as is equal to the sum of (x) the number of shares which remain available for grant under the Company's 1997 Replacement Stock Incentive Plan (the "Replacement Plan") upon its

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expiration and (y) the number of shares subject to awards granted under the Replacement Plan which are not actually issued pursuant to such awards because such awards expire or are terminated, surrendered or cancelled without having been fully exercised or are forfeited in whole or in part or otherwise result in any Common Stock not being issued. If any Award expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part or results in any Common Stock not being issued, the unused Common Stock covered by such Award shall again be available for the grant of Awards under the Plan, subject, however, in the case of Incentive Stock Options (as hereinafter defined), to any limitation required under the Code. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares."

Except as aforesaid, the Plan shall remain in full force and effect.

Adopted by the Board of Directors on  
February 6, 2002

BJ's WHOLESALE CLUB, INC.  
1997 STOCK INCENTIVE PLAN

### 1. Purpose

The purpose of this 1997 Stock Incentive Plan (the "Plan") of BJ's Wholesale Club, Inc., a Delaware corporation (the "Company"), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who make (or are expected to make) important contributions to the Company by providing such persons with equity ownership opportunities and performance-based incentives and thereby better aligning the interests of such persons with those of the Company's stockholders. Except where the context otherwise requires, the term "Company" shall include any present or future subsidiary corporations of BJ's Wholesale Club, Inc. as defined in Section 424(f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code").

### 2. Eligibility

All of the Company's employees, officers, directors, consultants and advisors are eligible to be granted options, restricted stock, or other stock-based awards (each, an "Award") under the Plan. Any person who has been granted an Award under the Plan shall be deemed a "Participant".

### 3. Administration, Delegation

(a) Administration by Board of Directors. The Plan will be administered by the Board of Directors of the Company (the "Board"). The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. All decisions by the Board shall be made in the Board's sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award. No director or person acting pursuant to the authority delegated by the Board shall be liable for any action or determination relating to or under the Plan made in good faith.

(b) Delegation to Executive Officers. To the extent permitted by applicable

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law, the Board may delegate to one or more executive officers of the Company the power to make Awards and exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the maximum number of shares subject to Awards and the maximum number of shares for any one Participant to be made by such executive officers.

(c) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a "Committee"). The Board shall appoint one such Committee of not less than two members, each member of which shall be an "outside director" within the meaning of Section 162(m) of the Code and a "non-employee director" as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"). All references in the Plan to the "Board" shall mean the Board or a Committee of the Board or the executive officer referred to in Section 3(b) to the extent that the Board's powers or authority under the Plan have been delegated to such Committee or executive officer.

#### 4. Stock Available for Awards

(a) Number of Shares. Subject to adjustment under Section 4(c), Awards may be made under the Plan for up to the sum of (i) 4,000,000 (post-March 1999 two-for-one stock split) shares of common stock, \$0.01 par value per share, of the Company (the "Common Stock") plus (ii) such additional number of shares of Common Stock (up to 4,000,000 post-March 1999 two-for-one stock split) as is equal to the sum of (x) the number of shares which remain available for grant under the Company's 1997 Replacement Stock Incentive Plan (the "Replacement Plan") upon its expiration and (y) the number of shares subject to awards granted under the Replacement Plan which are not actually issued pursuant to such awards because such awards expire or are terminated, surrendered or cancelled without having been fully exercised or are forfeited in whole or in part or otherwise result in any Common Stock not being issued. If any Award expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part or results in any Common Stock not being issued, the unused Common Stock covered by such Award shall again be available for the grant of Awards under the Plan, subject, however, in the case of Incentive Stock Options (as hereinafter defined), to any limitation required under the Code. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(b) Per-Participant Limit. Subject to adjustment under Section 4(c), for Awards granted after the Common Stock is registered under the Exchange Act, the maximum number of shares with respect to which an Award may be granted to any Participant under the Plan shall be 500,000 per calendar year. The per-participant limit described in this Section 4(b) shall be construed and applied consistently with Section 162(m) of the Code.

(c) Adjustment to Common Stock. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a normal cash dividend, (i) the number and class of securities available under this Plan, (ii) the number and class of security and exercise price per share subject to each outstanding Option, (iii) the repurchase price per security subject to each outstanding Restricted Stock Award, and (iv) the terms of each other outstanding stock-based Award shall be appropriately adjusted by

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the Company (or substituted Awards may be made, if applicable) to the extent the Board shall determine, in good faith, that such an adjustment (or substitution) is necessary and appropriate. If this Section 4(c) applies and Section 8(e)(1) and/or Section 8(e)(2) also applies to any event, then Section 8(e)(2) or Section 8(e)(1) (in that order) shall be applicable to such event, and this Section 4(c) shall not be applicable.

### 5. Stock Options

(a) General. The Board may grant options to purchase Common Stock (each, an "Option") and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable. An Option which is not intended to be an Incentive Stock Option (as hereinafter defined) shall be designated a "Nonstatutory Stock Option".

(b) Incentive Stock Options. An Option that the Board intends to be an "incentive stock option" as defined in Section 422 of the Code (an "Incentive Stock Option") shall only be granted to employees of the Company and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) which is intended to be an Incentive Stock Option is not an Incentive Stock Option.

(c) Exercise Price. The Board shall establish the exercise price at the time each Option is granted and specify it in the applicable option agreement; provided, however, that no Option shall be granted at an exercise price of less than 100% of fair market value on the date of grant.

(d) Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement; provided, however that no Option will be granted for a term in excess of ten years.

(e) Exercise of Option. Options may be exercised only by delivery to the Company of a written notice of exercise signed by the proper person together with payment in full as specified in Section 5(f) for the number of shares for which the Option is exercised.

(f) Payment Upon Exercise. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(1) in cash or by check, payable to the order of the Company;

(2) except as the Board may otherwise provide in an Option Agreement, by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price, (ii) delivery by the

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Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price or (iii) delivery of shares of Common Stock owned by the Participant valued at their fair market value as determined by the Board in good faith ("Fair Market Value"), which Common Stock was owned by the Participant at least six months prior to such delivery;

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(3) to the extent permitted by the Board and explicitly provided in an Option Agreement (i) by delivery of a promissory note of the Participant to the Company on terms determined by the Board or (ii) by payment of such other lawful consideration as the Board may determine; or

(4) any combination of the above permitted forms of payment.

### 6. Restricted Stock

(a) Grants. The Board may grant Awards entitling recipients to acquire shares of Common Stock, subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award (each, "Restricted Stock Award").

(b) Terms and Conditions. The Board shall determine the terms and conditions of any such Restricted Stock Award, including the conditions for repurchase (or forfeiture) and the issue price, if any. Any stock certificates issued in respect of a Restricted Stock Award shall be registered in the name of the Participant and, unless otherwise determined by the Board, deposited by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the "Designated Beneficiary"). In the absence of an effective designation by a Participant, Designated Beneficiary shall mean the Participant's estate.

### 7. Other Stock-Based Awards

The Board shall have the right to grant other Awards based upon the Common Stock having such terms and conditions as the Board may determine, including the grant of shares based upon certain conditions, the grant of securities convertible into Common Stock and the grant of stock appreciation rights.

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### 8. General Provisions Applicable to Awards

(a) Transferability of Awards. Except as the Board may otherwise determine or provide in an Award, Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the life of the Participant, shall be exercisable only by the Participant. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

(b) Documentation. Each Award under the Plan shall be evidenced by a written instrument in such form as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

(c) Board Discretion. Except as otherwise provided by the Plan, each type of Award may be made alone or in addition or in relation to any other type of Award. The terms of each type of Award need not be identical, and the Board need not treat Participants uniformly.

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(d) Termination of Status. The Board shall determine the effect on an Award of the disability, death, retirement, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, the Participant's legal representative, conservator, guardian or Designated Beneficiary may exercise rights under the Award.

### (e) Acquisition Events; Change of Control Events

(1) Consequences of Acquisition Events. Subject to Section 8(e)(2), upon the occurrence of an Acquisition Event (as defined below), or the execution by the Company of any agreement with respect to an Acquisition Event, the Board shall take any one or more of the following actions with respect to then outstanding Awards: (i) provide that outstanding Options shall be assumed, or equivalent Options shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), provided that any such Options substituted for Incentive Stock Options shall satisfy, in the determination of the Board, the requirements of Section 424(a) of the Code; (ii) upon written notice to the Participants, provide that all then unexercised Options will become exercisable in full as of a specified time (the "Acceleration Time") prior to the Acquisition Event and will terminate immediately prior to the consummation of such Acquisition Event, except to the extent exercised by the Participants between the Acceleration Time and the consummation of such Acquisition Event; (iii) in the event of an Acquisition Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share of Common Stock surrendered pursuant to such Acquisition Event (the "Acquisition Price"), provide that all outstanding Options shall terminate upon consummation of such Acquisition Event and each Participant shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (A) the Acquisition Price multiplied by the number of shares of Common Stock subject to such

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outstanding Options (whether or not then exercisable), exceeds (B) the aggregate exercise price of such Options; (iv) provide that all Restricted Stock Awards then outstanding shall become free of all restrictions prior to the consummation of the Acquisition Event; and (v) provide that any other stock-based Awards outstanding (A) shall become exercisable, realizable or vested in full, or shall be free of all conditions or restrictions, as applicable to each such Award, prior to the consummation of the Acquisition Event, or (B), if applicable, shall be assumed, or equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof).

An "Acquisition Event" shall mean: (a) any merger or consolidation which results in the voting securities of the Company outstanding immediately prior thereto representing immediately thereafter (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity) less than 50% of the combined voting power of the voting securities of the Company or such surviving or acquiring entity outstanding immediately after such merger or consolidation; (b) any sale of all or substantially all of the assets of the Company; or (c) the complete liquidation of the Company.

(2) Consequences of Change of Control Events. Except to the extent otherwise provided in the instrument evidencing an Award or in any other agreement between a Participant and the Company, (i) upon the occurrence of a Change of Control Event, all Options and stock appreciation rights then outstanding shall automatically become immediately exercisable in full and (ii) the restrictions and conditions on all other Awards then outstanding shall

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automatically be deemed waived only if and to the extent, if any, specified (whether at the time of grant or otherwise) by the Board.

A "Change of Control Event" shall have the meaning set forth on Annex A hereto.

(3) Assumption of Options Upon Certain Events. The Board may grant Awards under the Plan in substitution for stock and stock-based awards held by employees of another corporation who become employees of the Company as a result of a merger or consolidation of the employing corporation with the Company or the acquisition by the Company of property or stock of the employing corporation. The substitute Awards shall be granted on such terms and conditions as the Board considers appropriate in the circumstances.

(f) Withholding. Each Participant shall pay to the Company, or make provision satisfactory to the Board for payment of, any taxes required by law to be withheld in connection with Awards to such Participant no later than the date of the event creating the tax liability. The Board may allow Participants to satisfy such tax obligations in whole or in part in shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value. The Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to a Participant.

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(g) Amendment of Award. The Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option, provided that the Participant's consent to such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant.

(h) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(i) Acceleration. The Board may at any time provide that any Options shall become immediately exercisable in full or in part, that any Restricted Stock Awards shall be free of all restrictions or that any other stock-based Awards may become exercisable in full or in part or free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

### 9. Miscellaneous

(a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the



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applicable Award.

(b) No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares.

(c) Effective Date and Term of Plan.

(1) The Plan was adopted by the Board on May 30, 1997 and approved by the stockholders of Waban Inc. on July 10, 1997 and by Waban Inc. as the sole stockholder of the Company on July 10, 1997. The Plan shall become effective on the date on which Waban Inc. completes the spin-off of the Company by distributing to the stockholders of Waban Inc., on a pro

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rata basis, in a tax-free distribution, all of the then outstanding shares of Common Stock of the Company (the "Distribution Date").

(2) No Awards shall be granted under the Plan after the completion of ten years from the Distribution Date, but Awards previously granted may extend beyond that date.

(d) Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time, provided that no Award granted to a Participant designated as subject to Section 162(m) by the Board after the date of such amendment shall become exercisable, realizable or vested, as applicable to such Award (to the extent that such amendment to the Plan was required to grant such Award to a particular Participant), unless and until such amendment shall have been approved by the Company's stockholders.

(e) Stockholder Approval. For purposes of this Plan, stockholder approval shall mean approval by a vote of the stockholders in accordance with the requirements of Section 162(m) of the Code.

(f) Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, without regard to any applicable conflicts of law.

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### ANNEX A DEFINITION OF CHANGE OF CONTROL EVENT

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

(a) The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition

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directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (iv) any acquisition by any corporation pursuant to a transaction which satisfies the criteria set forth in clauses (i), (ii) and (iii) of subsection (c) of this definition; or

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

(c) Consummation of a reorganization, merger or consolidation involving the Company or a sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, immediately following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, of the corporation resulting from such Business Combination (which as used in section (c) of this definition shall include, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership,

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immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation and (iii) at least half of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

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

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APPENDIX B

BJ's WHOLESALE CLUB, INC.  
Proxy Solicited on Behalf of the Board of Directors  
for the Annual Meeting of Stockholders, May 23, 2002

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P The undersigned hereby appoints Frank D. Forward, Sarah M. Gallivan and  
R Thomas J. Shields, and each of them, as proxies, with full power of  
O substitution, to represent and to vote, as designated herein, all shares of  
X Common Stock of BJ's Wholesale Club, Inc., at the Annual Meeting of  
Y Stockholders of BJ's Wholesale Club, Inc. to be held at Crowne Plaza Hotel,  
1360 Worcester Street (Route 9), Natick, Massachusetts, on Thursday,  
May 23, 2002 at 11:00 a.m., and at all adjournments thereof, which the  
undersigned could vote, if present, in such manner as they may determine on  
any matters which may properly come before the meeting and to vote on the  
following as specified below:

The Board of Directors recommends a  
vote FOR the following:

(Change of Address)

ELECTION OF DIRECTORS for a term to  
expire in 2005.

Nominees: 01. Ronald R. Dion;  
02. Lorne R. Waxlax; and  
03. Edward J. Weisberger.

FOR Proposal 2

You are encouraged to specify your  
choices by marking the appropriate  
boxes on the reverse side but you  
need not mark any boxes if you wish  
to vote in accordance with the  
Board of Directors' recommendation.  
Please sign and return this card if  
you are voting by mail.

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(If you have written in the above space,  
please mark the corresponding box on the  
reverse side of this card)

THIS PROXY, WHEN PROPERLY EXECUTED ON THE REVERSE SIDE OF THIS CARD, WILL  
BE VOTED IN THE MANNER DIRECTED. IF NO DIRECTION IS MADE, THIS PROXY WILL  
BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR PROPOSAL 2. THE PROXIES,  
IN THEIR DISCRETION, ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY  
PROPERLY COME BEFORE THE MEETING.

[SEE REVERSE SIDE]

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FOLD AND DETACH HERE ONLY IF YOU ARE RETURNING YOUR VOTED PROXY CARD BY MAIL

As part of BJ's Wholesale Club, Inc.'s ongoing efforts to reduce  
expenses, we are asking our stockholders to authorize us to send  
only one copy of stockholder publications to their household. If you  
are receiving multiple copies of stockholder reports at your address  
and wish to eliminate them for the account shown on the attached  
Proxy Card, please mark the appropriate box. You will continue to  
receive your proxy mailings for shares held in this account.

We urge you to vote your shares. Thank you very much for your  
cooperation and continued loyalty as a BJ's Wholesale Club, Inc.  
stockholder.

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[X] Please mark your  
vote as in this  
example.

The Board of Directors recommends a vote FOR Proposal 2.

	FOR ALL	FOR ALL Except nominee(s) written below	WITHHOLD ALL
1. Election of Directors (see reverse)	[ ]	[ ]	[ ]

FOR, except vote withheld from the following nominee(s):

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	FOR	AGAINST	ABSTAIN
2. Approval of amendment to 1997 Stock Incentive Plan	[ ]	[ ]	[ ]
Change of Address on Reverse Side			[ ]
Will Attend Annual Meeting			[ ]
Discontinue Mailing Publications to this Account			[ ]

The signer hereby revokes all proxies heretofore given by the signer to vote at said meeting or any adjournment thereof.

SIGNATURE(S)

DATE

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NOTE: Please sign exactly as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. Only authorized officers should sign for corporations. PLEASE SIGN AND DATE HERE AND RETURN PROMPTLY ONLY IF YOU ARE VOTING BY MAIL.

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FOLD AND DETACH HERE ONLY IF YOU ARE RETURNING YOUR VOTED PROXY CARD BY MAIL.

BJ's WHOLESALE CLUB, INC.

Dear Stockholder:

BJ's Wholesale Club, Inc. encourages you to take advantage of convenient ways by which you can vote your shares. You can vote your shares electronically through the Internet or by telephone. This eliminates the need to return the proxy card.

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To vote your shares electronically you must use the control number printed in the box above, just below the perforation. The series of numbers that appear in the box above is your personal code to access the system.

1. To vote through the Internet:
  - o Log on to the Internet and go to the web site <http://www.eproxyvote.com/bj>
2. To vote by telephone:
  - o On a touch-tone telephone call 1-877-779-8683, 24 hours a day, 7 days a week.

Your electronic vote authorizes the named proxies in the same manner as if you marked, signed, dated and returned the proxy card.

Your vote is important. Thank you for voting.

IMPORTANT: PLEASE VOTE, DATE AND SIGN YOUR PROXY CARD AND  
RETURN IT IN THE ENVELOPE PROVIDED ONLY IF YOU ARE VOTING BY MAIL.  
PLEASE DO NOT RETURN YOUR PROXY CARD IF YOU ARE VOTING BY  
TELEPHONE OR THROUGH THE INTERNET.