

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

(Mark One)

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

For the quarterly period ended June 2, 2018

OR

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

For the transition period from _____ to _____

Commission File Number 001-07832

PIER 1 IMPORTS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

76102
(Zip code)

(817) 252-8000

(Registrant's telephone number, including area code)

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

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

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

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

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

As of July 6, 2018, there were outstanding 85,674,803 shares of the registrant's common stock, all of one class.

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FORWARD-LOOKING STATEMENTS

Certain statements contained in Items 1, 2 and 3 of Part I, and Item 1 of Part II and elsewhere in this report may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Pier 1 Imports, Inc. and its consolidated subsidiaries (the “Company”) may also make forward-looking statements in other reports filed with the United States Securities and Exchange Commission (“SEC”), in press releases, in presentations and in material delivered to the Company’s shareholders. Forward-looking statements provide current expectations of future events based on management’s assumptions and assessments in light of past experience and trends, current economic and industry conditions, expected future developments, and other relevant factors. These statements encompass information that does not directly relate to any historical or current fact and often may be identified with words such as “believe,” “expect,” “estimate,” “anticipate,” “plan,” “may,” “will,” “intend” and other similar expressions. Management’s expectations and assumptions regarding: the impact of initiatives implemented in connection with the Company’s Pier 1 2021: A New Day three-year strategic plan; the effectiveness of the Company’s marketing campaigns, merchandising and promotional strategies and customer databases; consumer spending patterns; inventory levels and values; the Company’s ability to implement planned cost control measures; risks related to U.S. import policy; changes in foreign currency values relative to the U.S. dollar and other future results are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements. Additional risks and uncertainties that may affect Company operations and performance include, among others: an inability to anticipate, identify and respond to changing customer trends and preferences and to source, ship and deliver items of acceptable quality to its U.S. distribution and fulfillment centers, stores and customers at reasonable prices and rates in a timely fashion; an inability to identify and successfully implement strategic initiatives; risks related to outsourcing, including disruptions in business and increased costs; an overall decline in the health of the U.S. economy and its impact on consumer confidence and spending; disruptions in the Company’s domestic supply chain or e-Commerce website; failure to successfully manage and execute the Company’s marketing initiatives; negative impacts from failure to control merchandise returns and recalls; potential impairment charges; an inability to operate in desirable locations at reasonable rental rates; competition; factors affecting consumer spending, including employment levels and disposable income, interest rates, consumer debt levels, fuel and transportation costs and other factors; failure to attract and retain an effective management team or changes in the cost or availability of a suitable workforce; failure to successfully manage omni-channel operations; seasonal variations; increases in costs that are outside the Company’s control; adverse weather conditions or natural disasters; risks related to technology; failure to protect consumer data; failure to successfully implement new information technology systems and enhance existing systems; risks related to cybersecurity; failure to maintain positive brand perception and recognition; regulatory and legal risks; litigation risks; risks related to imported merchandise including the health of global, national, regional, and local economies and their impact on vendors, manufacturers and merchandise; adverse effects from changes in U.S. policy related to imported merchandise; risks related to insufficient cash flows and access to capital; disruption in the global credit and equity markets; factors beyond the Company’s control, including general economic and market conditions, fluctuations in the Company’s financial condition or other factors that could affect the stock price; and risks related to activist shareholders. The foregoing risks and uncertainties are in addition to others discussed elsewhere in this report which may also affect Company operations and performance. The Company assumes no obligation to update or otherwise revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied will not be realized. Additional information concerning these risks and uncertainties is contained in the Company’s Annual Report on Form 10-K for the year ended March 3, 2018, as filed with the SEC.

PART I

Item 1. Financial Statements.

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share amounts)
(unaudited)

	13 Weeks Ended	
	June 2, 2018	May 27, 2017
Net sales	\$ 371,864	\$ 409,525
Cost of sales	251,725	257,928
Gross profit	120,139	151,597
Selling, general and administrative expenses	138,580	140,195
Depreciation	12,900	13,723
Operating loss	(31,341)	(2,321)
Nonoperating (income) and expenses:		
Interest, investment income and other	(317)	(570)
Interest expense	3,550	3,048
	3,233	2,478
Loss before income taxes	(34,574)	(4,799)
Income tax benefit	(6,071)	(1,813)
Net loss	\$ (28,503)	\$ (2,986)
Loss per share:		
Basic	\$ (0.36)	\$ (0.04)
Diluted	\$ (0.36)	\$ (0.04)
Dividends declared per share	\$ —	\$ 0.07
Average shares outstanding during period:		
Basic	80,187	81,080
Diluted	80,187	81,080

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

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)
(unaudited)

	13 Weeks Ended	
	June 2, 2018	May 27, 2017
Net loss	\$ (28,503)	\$ (2,986)
Other comprehensive income (loss)		
Foreign currency translation adjustments	(229)	(835)
Pension adjustments	332	(57)
Other comprehensive income (loss)	103	(892)
Comprehensive loss, net of tax	\$ (28,400)	\$ (3,878)

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

Pier 1 Imports, Inc.

CONSOLIDATED BALANCE SHEETS

(in thousands except share amounts)
(unaudited)

	June 2, 2018	March 3, 2018	May 27, 2017
ASSETS			
Current assets:			
Cash and cash equivalents, including temporary investments of \$121,392, \$115,456 and \$152,978, respectively	\$ 156,757	\$ 135,379	\$ 161,625
Accounts receivable, net	23,513	22,149	24,723
Inventories	329,747	347,440	418,424
Prepaid expenses and other current assets	48,136	48,794	31,464
Total current assets	558,153	553,762	636,236
Properties and equipment, net of accumulated depreciation of \$567,522, \$554,477 and \$519,016, respectively	170,662	178,767	181,390
Other noncurrent assets	44,350	39,790	42,467
	<u>\$ 773,165</u>	<u>\$ 772,319</u>	<u>\$ 860,093</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 86,531	\$ 71,279	\$ 98,517
Gift cards and other deferred revenue	48,247	55,281	62,987
Accrued income taxes payable	3,048	2,301	25,635
Current portion of long-term debt	2,000	2,000	2,000
Other accrued liabilities	124,523	106,268	129,330
Total current liabilities	264,349	237,129	318,469
Long-term debt	197,608	197,906	198,781
Other noncurrent liabilities	54,420	59,714	62,085
Commitments and contingencies			
Shareholders' equity:			
Common stock, \$0.001 par, 500,000,000 shares authorized, 125,232,000 issued	125	125	125
Paid-in capital	180,525	168,424	157,760
Retained earnings	704,749	726,232	728,268
Cumulative other comprehensive loss	(7,374)	(7,477)	(8,306)
Less -- 42,758,000, 41,974,000 and 40,208,000 common shares in treasury, at cost, respectively	(621,237)	(609,734)	(597,089)
Total shareholders' equity	256,788	277,570	280,758
	<u>\$ 773,165</u>	<u>\$ 772,319</u>	<u>\$ 860,093</u>

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

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)
(unaudited)

	13 Weeks Ended	
	June 2, 2018	May 27, 2017
Cash flows from operating activities:		
Net loss	\$ (28,503)	\$ (2,986)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	14,897	15,786
Stock-based compensation expense	310	1,100
Deferred compensation, net	751	750
Deferred income taxes	(7,705)	(1,216)
Other	(64)	382
Changes in cash from:		
Inventories	17,625	(17,448)
Prepaid expenses and other assets	1,064	(1,142)
Accounts payable and other liabilities	34,196	34,129
Accrued income taxes payable, net of payments	667	(423)
Net cash provided by operating activities	33,238	28,932
Cash flows from investing activities:		
Capital expenditures	(12,159)	(13,567)
Proceeds from disposition of properties	36	—
Proceeds from sale of restricted investments	1,279	1,164
Purchase of restricted investments	(636)	(526)
Net cash used in investing activities	(11,480)	(12,929)
Cash flows from financing activities:		
Cash dividends	—	(5,646)
Purchases of treasury stock	—	(2,827)
Stock purchase plan and other, net	288	135
Repayments of long-term debt	(500)	(500)
Net cash used in financing activities	(212)	(8,838)
Effect of exchange rate changes on cash	(168)	—
Change in cash and cash equivalents	21,378	7,165
Cash and cash equivalents at beginning of period	135,379	154,460
Cash and cash equivalents at end of period	\$ 156,757	\$ 161,625

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

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in thousands)
(unaudited)

	Common Stock		Paid-in Capital	Retained Earnings	Cumulative Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
	Outstanding Shares	Amount					
Balance March 3, 2018	83,258	\$ 125	\$ 168,424	\$ 726,232	\$ (7,477)	\$ (609,734)	\$ 277,570
Net loss	—	—	—	(28,503)	—	—	(28,503)
Cumulative effect of accounting change	—	—	—	7,020	—	—	7,020
Other comprehensive income	—	—	—	—	103	—	103
Stock-based compensation expense	(882)	—	14,285	—	—	(13,975)	310
Stock purchase plan and other	98	—	(2,184)	—	—	2,472	288
Balance June 2, 2018	82,474	\$ 125	\$ 180,525	\$ 704,749	\$ (7,374)	\$ (621,237)	\$ 256,788

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Throughout this report, references to the “Company” include Pier 1 Imports, Inc. and its consolidated subsidiaries. The accompanying unaudited financial statements should be read in conjunction with the Company’s Form 10-K for the year ended March 3, 2018. All adjustments that are, in the opinion of management, necessary for a fair presentation of the Consolidated Financial Statements contained in this report have been made and consist only of normal recurring adjustments, except as otherwise described herein, if any. Certain items in these Consolidated Financial Statements have been reclassified to conform to the current period presentation. Fiscal 2019 consists of a 52-week year ending on March 2, 2019. Fiscal 2018 consisted of a 53-week year which ended on March 3, 2018. The results of operations for the 13 weeks ended June 2, 2018 and May 27, 2017, are not indicative of results to be expected for the fiscal year because of, among other things, seasonality factors in the retail business. Historically, the strongest sales of the Company’s products have occurred during the holiday season beginning in November and continuing through December. The Company conducts business as one operating segment under the name Pier 1 Imports. As of June 2, 2018, the Company had no financial instruments with fair market values that were materially different from their carrying values, unless otherwise disclosed.

NOTE 1 – LOSS PER SHARE

Basic loss per share amounts were determined by dividing net loss by the weighted average number of common shares outstanding for the period. Outstanding stock options and shares of unvested restricted stock totaling 1,278,141 and 1,783,047 were excluded from the computation of diluted loss per share for the 13 weeks ended June 2, 2018 and May 27, 2017, respectively, as the effect would be antidilutive. Loss per share amounts were calculated as follows (in thousands except per share amounts):

	13 Weeks Ended	
	June 2, 2018	May 27, 2017
Net loss	\$ (28,503)	\$ (2,986)
Weighted average shares outstanding:		
Basic	80,187	81,080
Effect of dilutive stock options	—	—
Effect of dilutive restricted stock	—	—
Diluted	80,187	81,080
Loss per share:		
Basic	\$ (0.36)	\$ (0.04)
Diluted	\$ (0.36)	\$ (0.04)

NOTE 2 – LONG-TERM DEBT AND AVAILABLE CREDIT

Revolving Credit Facility — The Company has a \$350,000,000 secured revolving credit facility with a \$150,000,000 accordion feature that matures on June 2, 2022 (“Revolving Credit Facility”). Credit extensions under the Revolving Credit Facility are limited to the lesser of \$350,000,000 or the amount of the calculated borrowing base, as defined in the Revolving Credit Facility, which was \$264,056,000 as of June 2, 2018. The Company had no cash borrowings and \$40,881,000 in letters of credit and bankers’ acceptances outstanding under the Revolving Credit Facility, with \$223,175,000 remaining available for cash borrowings, all as of June 2, 2018.

At the Company’s option, borrowings will bear interest, payable quarterly or, if earlier, at the end of each interest period, at either (a) the adjusted LIBOR rate as defined in the Revolving Credit Facility plus a spread varying from 125 to 150 basis points per annum, depending on the amount then borrowed under the Revolving Credit Facility, or (b) the prime rate as defined in the Revolving Credit Facility plus a spread varying from 25 to 50 basis points per annum, depending on the amount then borrowed under the Revolving Credit Facility.

Term Loan Facility — The Company has a senior secured term loan facility that matures on April 30, 2021 (“Term Loan Facility”). As of June 2, 2018, March 3, 2018 and May 27, 2017, the Company had \$192,500,000, \$193,000,000 and \$194,500,000 outstanding, respectively, under the Term Loan Facility with carrying values of \$190,195,000, \$190,495,000 and \$191,378,000, respectively, net of unamortized discounts and debt issuance costs.

The fair value of the amount outstanding under the Term Loan Facility was approximately \$179,628,000 as of June 2, 2018, which was measured at fair value using the quoted market price. The fair value measurement is classified as Level 2 in the fair value hierarchy.

based on the frequency and volume of trading for which the price was readily available. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

NOTE 3 – MATTERS CONCERNING SHAREHOLDERS' EQUITY

For the 13 weeks ended June 2, 2018 and May 27, 2017, the Company recorded compensation expense related to restricted stock of \$259,000 and \$1,069,000, respectively. As of June 2, 2018, there was approximately \$15,893,000 of total unrecognized compensation expense related to unvested restricted stock that may be recognized over a weighted average period of approximately 1.5 years if certain performance targets are achieved.

NOTE 4 – INCOME TAX

The income tax benefit for the first quarter of fiscal 2019 was \$6,071,000, compared to \$1,813,000 during the same period in the prior fiscal year. The increase in the income tax benefit was primarily due to the Company's higher pre-tax loss generated in the first quarter of fiscal 2019 as compared to the first quarter of fiscal 2018. The effective tax rate for the first quarter of fiscal 2019 was 17.6%, compared to 37.8% in the same period during fiscal 2018. The lower effective tax rate for the first quarter of fiscal 2019 primarily relates to the lower statutory federal tax rate enacted by the 2017 Tax Cuts and Jobs Act ("Tax Act"). The statutory federal rate was 21% for the first quarter of fiscal 2019, compared to 35% for the first quarter of fiscal 2018. The effective tax rate of 17.6% for the first quarter of fiscal 2019 was lower than the statutory federal rate of 21% primarily due to certain executive compensation that is no longer deductible under changes made to Section 162(m) by the Tax Act and tax expense recorded for share-based compensation pursuant to Accounting Standards Codification ("ASC") 718. As a result of the Company's net loss in the first quarter of fiscal 2019, the non-deductible compensation under Section 162(m) and the income tax expense recorded for tax shortfalls under ASC 718 lowered the effective tax rate.

As of June 2, 2018, the Company had total unrecognized tax benefits of \$4,810,000, the majority of which, if recognized, would affect the Company's effective tax rate. It is reasonably possible a significant portion of the Company's gross unrecognized tax benefits could decrease within the next twelve months primarily due to settlements with certain taxing jurisdictions.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Putative class action complaints were filed in the United States District Court for the Northern District of Texas – Dallas Division against Pier 1 Imports, Inc., Alexander W. Smith and Charles H. Turner in August and October 2015 alleging violations under the Securities Exchange Act of 1934, as amended. The lawsuits, which have been consolidated into a single action captioned Town of Davie Police Pension Plan, Plaintiff, v. Pier 1 Imports, Inc., Alexander W. Smith and Charles H. Turner, Defendants, were filed on behalf of a purported putative class of investors who purchased or otherwise acquired stock of Pier 1 Imports, Inc. between April 10, 2014 and December 17, 2015. The plaintiffs seek to recover damages purportedly caused by the Defendants' alleged violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The complaint seeks certification as a class action, unspecified compensatory damages plus interest and attorneys' fees. On August 10, 2017, the court granted the Company's motion to dismiss the complaint, while providing the plaintiffs an opportunity to replead their complaint. An amended complaint was filed with the court on September 25, 2017. On June 25, 2018, the court granted the Company's motion to dismiss the amended complaint, with prejudice. It is not known whether the plaintiffs will appeal this ruling. Although the ultimate outcome of litigation cannot be predicted with certainty, the Company believes that this lawsuit is without merit and intends to defend against it vigorously.

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

The Company is a defendant in lawsuits pending in federal courts in California containing various class action allegations under California state wage-and-hour laws. These lawsuits seek unspecified monetary damages, injunctive relief and attorneys' fees. The Company sought to settle these cases on terms favorable to the Company in view of the claims made, the continuing cost of litigation

and an assessment of the risk of an adverse trial court or appellate decision. The Company has settled or agreed to settle the pending cases, subject to completion of associated procedural requirements. The Company does not believe any reasonably foreseeable resolution of these matters will have a material adverse effect on the Company's financial condition, results of operations or liquidity.

The Company recognized expense of \$6,600,000 in the second quarter of fiscal 2018 attributable to the legal and regulatory proceedings described in the two preceding paragraphs as a component of selling, general and administrative expenses.

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

NOTE 6 – NEW ACCOUNTING STANDARDS

Accounting Standards — Recently Adopted

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

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

Revenue is recognized upon customer receipt or delivery for retail sales. A reserve has been established for estimated merchandise returns based upon historical experience and other known factors. The new standard required a change in the presentation of the reserve on the consolidated balance sheet, which was previously recorded net of the value of returned merchandise, but will now be presented on a gross basis. During the first quarter of fiscal 2019, the Company recorded an adjustment of \$2,216,000 to present the reserve on a gross basis, with an offset recorded to other current assets. The gross reserve for estimated merchandise returns at June 2, 2018 was \$5,457,000. The Company's revenues are reported net of discounts and returns, net of sales tax, and include wholesale sales and royalties. Amounts charged to customers for shipping and handling are included in net sales.

Disaggregated Revenues — Net sales consisted almost entirely of sales to retail customers, net of discounts and returns, but also included delivery revenues, wholesale sales and royalties, and gift card breakage. Net sales during the 13 weeks ended June 2, 2018 and May 27, 2017 were as follows (in thousands):

	13 Weeks Ended	
	June 2, 2018	May 27, 2017
Retail sales	\$ 368,993	\$ 406,663
Other (1)	2,871	2,862
Net sales	\$ 371,864	\$ 409,525

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

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

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

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

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

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

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

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

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

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

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

Accounting Standards — Pending Adoption:**ASU 2016-02 — Leases (Topic 842)**

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which provides new guidance on accounting for leases. The Company leases its corporate headquarters, retail stores and the majority of its distribution and fulfillment centers. Under ASU 2016-02, lessees will be required to recognize most leases on the balance sheet; therefore, ASU 2016-02 is expected to have a material impact on the Company's consolidated balance sheets. ASU 2016-02 is effective for the Company beginning in fiscal 2020. The Company plans to adopt this standard in fiscal 2020. ASU 2016-02 must be adopted using a modified retrospective transition, with the new guidance applied to the beginning of the earliest comparative period presented. The Company is continuing to evaluate the impact of the adoption of ASU 2016-02 on its financial statements.

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

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of financial condition, results of operations, and liquidity and capital resources should be read in conjunction with the Company's Consolidated Financial Statements as of March 3, 2018, and for the fiscal year then ended, the related Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, all contained in the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2018.

MANAGEMENT OVERVIEW

Pier 1 Imports, Inc. (together with its consolidated subsidiaries, the "Company") directly imports merchandise from many countries, and sells a wide variety of decorative accessories, furniture, candles, housewares, gifts and seasonal products in retail stores throughout the U.S. and Canada and online at pier1.com. Fiscal 2019 consists of a 52-week year ending on March 2, 2019. Fiscal 2018 consisted of a 53-week year which ended on March 3, 2018. The results of operations for the 13 weeks ended June 2, 2018 and May 27, 2017, are not indicative of results to be expected for the fiscal year because of, among other things, seasonality factors in the retail business. Historically, the strongest sales of the Company's products have occurred during the holiday season beginning in November and continuing through December. The Company conducts business as one operating segment. As of June 2, 2018, the Company operated 997 stores in the U.S. and Canada.

The Company announced its three-year strategic plan, Pier 1 2021: A New Day on April 19, 2018, which is designed to improve the Company's brand proposition, drive sales growth and capture operating efficiencies. Under Pier 1 2021: A New Day, the Company will be focused on:

Improving brand proposition by segmenting the marketplace and focusing on targeted consumer groups, refining merchandise assortments, delivering value in order to better fit the customer's style and create ease of shopping;

Driving sales growth through new marketing strategies focusing on content, digital communications and customer experience, improving the shopping experience and leveraging and strengthening the Company's omni-channel platform; and

Capturing operating efficiencies through initiatives that include pricing and promotion, inventory reduction, sourcing, supply chain improvements and real estate optimization.

In fiscal 2019, the Company plans to invest in the tools and resources needed to execute against the plan, which is expected to result in a net loss for the year. Capital investment in fiscal 2019 is expected to total \$60 million, which includes approximately \$45 million of expenditures for Pier 1 2021: A New Day, primarily deployed toward information technology, supply chain and stores. During the first quarter of fiscal 2019, the Company utilized \$12.2 million for capital expenditures, which was deployed toward technology and infrastructure initiatives, distribution and fulfillment centers, and stores. The Company also plans to make investments in selling, general and administrative ("SG&A") expenditures in fiscal 2019 in the areas of marketing, corporate services and facilities planning and store operations. The investments in both capital and SG&A are expected to help drive sales growth and increased profitability in fiscal 2020 and 2021. Profit improvement through increased efficiencies, improved productivity and managed expenses will be important to the three-year strategic plan.

During the first quarter of fiscal 2019, net sales decreased 9.2% from the prior year first quarter, and company comparable sales decreased 8.2%. Gross profit for the first quarter of fiscal 2019 was \$120.1 million, or 32.3% of sales, compared to \$151.6 million, or 37.0% of sales, in the same period last year, a decrease of 470 basis points. This decrease reflects lower merchandise margin, as well as 170 basis points of deleverage on store occupancy due to lower sales. The year-over-year decline in merchandise margin is primarily attributable to planned pricing strategies implemented during first quarter of fiscal 2019 and increased promotional discounts, as well as higher supply chain costs. The Company anticipates continued pressure on gross margin through the second quarter of fiscal 2019 with some easing in the second half of the year.

Operating loss for the first quarter of fiscal 2019 was \$31.3 million, or (8.4%) of sales, compared to an operating loss of \$2.3 million, or (0.6%) of sales, for the same period in the prior year. For the first quarter of fiscal 2019, the Company reported a net loss of \$28.5 million, or (\$0.36) per share, compared to a net loss of \$3.0 million, or (\$0.04) per share for the first quarter of fiscal 2018. EBITDA (earnings before interest, taxes, depreciation and amortization) for the first quarter of fiscal 2019 was (\$18.7) million, compared to \$11.6 million in the first quarter of fiscal 2018. See "Reconciliation of Non-GAAP Financial Measures" below.

The Company is on track to close approximately 20 to 25 stores by the end of fiscal 2019. These closures are consistent with, and a part of, the Company's three-year strategic plan, Pier 1 2021: A New Day, announced on April 19, 2018.

On April 18, 2018, the Company announced that the Board of Directors had determined to discontinue the Company's common stock dividend. The Board of Directors also determined to discontinue share repurchases under the \$200 million board-approved share repurchase program announced on April 10, 2014 ("April 2014 program"). These actions are expected to allow the allocation of greater resources toward implementing the Company's Pier 1 2021: A New Day three-year strategic plan.

Results of Operations

Management reviews a number of key performance indicators to evaluate the Company's financial performance. The following table summarizes those key performance indicators:

Key Performance Indicators	13 Weeks Ended	
	June 2, 2018	May 27, 2017
Total sales decline	(9.2%)	(2.1%)
Company comparable sales decline	(8.2%)	(0.2%)
Gross profit as a % of sales	32.3%	37.0%
Selling, general and administrative expenses as a % of sales	37.3%	34.2%
Operating loss as a % of sales	(8.4%)	(0.6%)
Net loss (in millions)	\$ (28.5)	\$ (3.0)
Net loss as a % of sales	(7.7%)	(0.7%)
EBITDA (in millions) (1)	\$ (18.7)	\$ 11.6
EBITDA as a % of sales	(5.0%)	2.8%
Total retail square footage (in thousands)	7,887	8,031

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

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

Net Sales — Net sales consisted almost entirely of sales to retail customers, net of discounts and returns, but also included delivery revenues, wholesale sales and royalties, and gift card breakage. Net sales for the first quarter of fiscal 2019 were \$371.9 million, a decrease of 9.2%, compared to \$409.5 million for the first quarter of fiscal 2018. At the end of the first quarter of fiscal 2019, the Company operated 19 fewer stores than at the end of the first quarter of fiscal 2018. Company comparable sales for the first quarter of fiscal 2019 decreased 8.2%, compared to the same period last year. See Note 6 of the Notes to Consolidated Financial Statements for more information.

Sales at the Company's Canadian stores are subject to fluctuations in currency conversion rates. For the first quarter of fiscal 2019, the year-over-year change in the value of the Canadian Dollar, relative to the U.S. Dollar, positively impacted net sales and company comparable sales by approximately 20 basis points. Sales on the Pier 1 credit card comprised 35.9% of U.S. sales for the trailing twelve months ended June 2, 2018, compared to 36.9% for the comparable period in fiscal 2018. The Company's proprietary credit card program provides both economic and strategic benefits to the Company.

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

	Net Sales
Net sales for the 13 weeks ended May 27, 2017	\$ 409,525
Incremental sales growth (decline) from:	
Company comparable sales	(33,139)
New stores opened during fiscal 2019	—
Stores opened during fiscal 2018	987
Closed stores and other	(5,509)
Net sales for the 13 weeks ended June 2, 2018	\$ 371,864

A summary reconciliation of the Company's stores open at the beginning of fiscal 2019 to the number open at the end of the first quarter is as follows:

	United States	Canada	Total
Open at March 3, 2018	928	75	1,003
Openings	—	—	—
Closings	(4)	(2)	(6)
Open at June 2, 2018	924	73	997

Gross Profit — In the first quarter of fiscal 2019, gross profit was \$120.1 million, or 32.3% of sales, compared to \$151.6 million, or 37.0% of sales, for the same period last year, a decrease of 470 basis points. This decrease reflects lower merchandise margin, as well as 170 basis points of deleverage on store occupancy due to lower sales. The year-over-year decline in merchandise margin is primarily

attributable to planned pricing strategies implemented during the first quarter of fiscal 2019 and increased promotional discounts, as well as higher supply chain costs. The Company anticipates continued pressure on gross margin through the second quarter of fiscal 2019 with some easing in the second half of the year.

SG&A Expenses, Depreciation and Operating Loss — In the first quarter of fiscal 2019, SG&A expenses were \$138.6 million, or 37.3% of sales, compared to \$140.2 million, or 34.2% of sales, for the same period in fiscal 2018. For the first quarter of fiscal 2019, reductions in marketing expenses were partially offset by increases in other SG&A. SG&A expenses are summarized in the table below (in millions):

	13 Weeks Ended			
	June 2, 2018		May 27, 2017	
	Expense	% of Sales	Expense	% of Sales
Compensation for operations	\$ 56.6	15.2%	\$ 56.1	13.7%
Operational expenses	20.6	5.5%	20.6	5.0%
Marketing	26.5	7.1%	29.5	7.2%
Other selling, general and administrative	34.9	9.4%	34.0	8.3%
Total selling, general and administrative	\$ 138.6	37.3%	\$ 140.2	34.2%

Depreciation expense for the first quarter of fiscal 2019 was \$12.9 million, compared to \$13.7 million in the same period last year. The decrease was primarily due to certain assets becoming fully depreciated, partially offset by capital expenditure additions.

Operating loss for the first quarter of fiscal 2019 was \$31.3 million, or (8.4%) of sales, compared to operating loss of \$2.3 million, or (0.6%) of sales, for the same period last year.

Income Taxes — The income tax benefit for the first quarter of fiscal 2019 was \$6.1 million, compared to \$1.8 million during the same period in the prior fiscal year. The increase in the income tax benefit from the first quarter of fiscal 2018 was due to the Company's higher pre-tax loss generated in the first quarter of fiscal 2019 as compared to the first quarter of fiscal 2018. The effective tax rate for the first quarter of fiscal 2019 was 17.6%, compared to 37.8% for the same period during fiscal 2018. The lower effective tax rate for the first quarter of fiscal 2019 was primarily due to the lower statutory federal tax rate enacted by the 2017 Tax Cuts and Jobs Act ("Tax Act"). The statutory federal rate was 21% for the first quarter of fiscal 2019, compared to 35% for the first quarter of fiscal 2018. The effective tax rate of 17.6% for the first quarter of fiscal 2019 was lower than the statutory federal rate of 21% primarily due to certain executive compensation that is no longer deductible under changes made to Section 162(m) by the Tax Act and tax expense recorded for share-based compensation pursuant to Accounting Standards Codification ("ASC") 718. As a result of the Company's net loss in the first quarter of fiscal 2019, the non-deductible compensation under Section 162(m) and the income tax expense recorded for tax shortfalls under ASC 718 lowered the effective tax rate.

Net Loss and EBITDA — For the first quarter of fiscal 2019, the Company reported a net loss of \$28.5 million, or (\$0.36) per share, compared to a net loss of \$3.0 million, or (\$0.04) per share, for the same period last year. EBITDA for the first quarter of fiscal 2019 was (\$18.7) million, compared to \$11.6 million for the same period last year. See "Reconciliation of Non-GAAP Financial Measures" below.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The Company reports its financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). This Quarterly Report on Form 10-Q references EBITDA, a non-GAAP financial measure.

The Company believes EBITDA allows management and investors to understand and compare results in a more consistent manner for the 13-week periods ended June 2, 2018 and May 27, 2017. Non-GAAP financial measures should be considered supplemental and not a substitute for the Company's results reported in accordance with GAAP for the periods presented.

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

	13 Weeks Ended			
	June 2, 2018		May 27, 2017	
	\$ Amount	% of Sales	\$ Amount	% of Sales
EBITDA (non-GAAP)	\$ (18.7)	(5.0%)	\$ 11.6	2.8%
Less: Income tax benefit	(6.1)	(1.6%)	(1.8)	(0.5%)
Interest expense, net	2.9	0.8%	2.7	0.7%
Depreciation	12.9	3.4%	13.7	3.4%
Net loss (GAAP)	\$ (28.5)	(7.7%)	\$ (3.0)	(0.7%)

LIQUIDITY AND CAPITAL RESOURCES

The Company ended the first quarter of fiscal 2019 with \$156.8 million in cash and cash equivalents, compared to \$135.4 million at the end of fiscal 2018 and \$161.6 million at the end of the first quarter of fiscal 2018. The increase from the end of fiscal 2018 was primarily the result of cash provided by operating activities of \$33.2 million, partially offset by the utilization of cash to fund the Company's capital expenditures of \$12.2 million.

Cash Flows from Operating Activities

During the first quarter of fiscal 2019, operating activities provided \$33.2 million of cash, primarily as a result of an increase in accounts payable and other liabilities, a decrease in inventories and adjustments for non-cash items. These items were partially offset by a net loss of \$28.5 million. Inventory levels at the end of the first quarter of fiscal 2019 were \$329.7 million, a decrease of \$17.7 million, or 5.1%, from the end of fiscal 2018.

Cash Flows from Investing Activities

During the first quarter of fiscal 2019, investing activities used \$11.5 million of cash, which were primarily related to capital expenditures of \$12.2 million deployed toward technology and infrastructure initiatives, distribution and fulfillment centers, and existing stores. Of those capital expenditures, \$5.3 million related to timing differences between receipt of fixed asset purchases and cash payment of invoices. Capital spend in fiscal 2019 is expected to be approximately \$60 million which includes approximately \$45 million of expenditures for Pier 1 2021: A New Day, to be deployed toward information technology, supply chain and stores.

Cash Flows from Financing Activities

During the first quarter of fiscal 2019, financing activities used \$0.2 million of cash, primarily resulting from cash outflows for repayments of long-term debt.

Revolving Credit Facility

The Company has a \$350 million secured revolving credit facility with a \$150 million accordion feature that matures on June 2, 2022 ("Revolving Credit Facility"). Credit extensions under the Revolving Credit Facility are limited to the lesser of \$350.0 million or the amount of the calculated borrowing base, which was \$264.1 million as of June 2, 2018. The Company had no cash borrowings and \$40.9 million in letters of credit and bankers' acceptances outstanding under the Revolving Credit Facility, with \$223.2 million remaining available for cash borrowings, all as of June 2, 2018. See *Note 2* of the *Notes to Consolidated Financial Statements* for more information regarding the Revolving Credit Facility.

Term Loan Facility

The Company has a senior secured term loan facility that matures on April 30, 2021 ("Term Loan Facility"). As of June 2, 2018, the Company had \$192.5 million outstanding under the Term Loan Facility with a carrying value of \$190.2 million, net of unamortized discounts and debt issuance costs. See *Note 2* of the *Notes to Consolidated Financial Statements* for more information regarding the Term Loan Facility.

Sources of Working Capital

Working capital requirements are expected to be funded with cash from operations, available cash balances and, as needed, borrowings against the Company's Revolving Credit Facility and Term Loan Facility. While there can be no assurance that the Company will sustain positive cash flows or profitability over the long term, given the Company's cash position and the various liquidity options available, the Company believes it has sufficient liquidity to fund its obligations, including debt-related payments and capital expenditure requirements through fiscal 2019.

IMPACT OF INFLATION

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There are no material changes to the Company's market risk as disclosed in its Annual Report on Form 10-K for the fiscal year ended March 3, 2018.

Item 4. Controls and Procedures.

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

As required by Rules 13a-15 and 15d-15 under the Exchange Act, an evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 2, 2018. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded, with reasonable assurance, that the Company's disclosure controls and procedures were effective as of such date.

There has not been any change in the Company's internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

Item 1. Legal Proceedings.

See the discussion of pending legal proceedings in *Note 5* of the *Notes to Consolidated Financial Statements*.

Item 1A. Risk Factors.

There are no material changes to the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information with respect to purchases of common stock of the Company made during the 13 weeks ended June 2, 2018, by the Company or any "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Exchange Act:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (including fees)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Mar 4, 2018 through Apr 7, 2018	—	\$—	—	\$26,610,135
Apr 8, 2018 through May 5, 2018	94,097	—	—	26,610,135
May 6, 2018 through Jun 2, 2018	—	—	—	26,610,135
	94,097	\$—	—	\$26,610,135

(1) During the period, 94,097 shares of the Company's common stock were withheld from associates to satisfy tax withholding obligations that arose upon vesting of restricted stock granted pursuant to approved plans.

On April 18, 2018, the Company announced that the Board of Directors had determined to discontinue share repurchases under the April 2014 program. As of June 2, 2018, \$26.6 million remained available for further share repurchases of common stock under the April 2014 program. There is no expiration date on the current authorization.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No. Description

3.1	<u>Restated Certificate of Incorporation of Pier 1 Imports, Inc. as filed with the Delaware Secretary of State on October 12, 2009, incorporated herein by reference to Exhibit 3(i) to the Company's Form 10-Q for the quarter ended November 28, 2009 (File No. 001-07832).</u>
3.2	<u>Amended and Restated Bylaws of Pier 1 Imports, Inc. (as amended through June 20, 2014), incorporated herein by reference to Exhibit 3.1 to the Company's Form 8-K filed on June 24, 2014 (File No. 001-07832).</u>
10.1*+	<u>Letter regarding employment dated June 21, 2017 between Bhargav J. Shah and Pier 1 Services Company.</u>
10.2*+	<u>Agreement for Severance Benefits and for Release, Waiver and Nondisclosure effective May 17, 2018 between Catherine David (also known as Catherine David Buley) and Pier 1 Services Company.</u>
10.3*+	<u>Form of Restricted Stock Unit Award Agreement for Non-Employee Directors.</u>
10.4*+	<u>Form of Restricted Stock Award Agreement – June 29, 2018 Time-Based Award.</u>
10.5*+	<u>Form of Restricted Stock Award Agreement – June 29, 2018 Performance-Based Award ("EPS as adjusted").</u>
31.1*	<u>Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).</u>
31.2*	<u>Certification of the Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).</u>
32.1**	<u>Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
*	<i>Filed herewith</i>
**	<i>Furnished herewith</i>
+	<i>Management Contracts and Compensatory Plans</i>

SIGNATURES

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

PIER 1 IMPORTS, INC.

Date: July 11, 2018

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

Date: July 11, 2018

By: /s/ Nancy A. Walsh
Nancy A. Walsh, Executive Vice President and
Chief Financial Officer

Date: July 11, 2018

By: /s/ Darla D. Ramirez
Darla D. Ramirez, Principal Accounting Officer

Exhibit 10.1

100 Pier 1 Place
Fort Worth, TX 76102
PO Box 961020
Fort Worth, TX 76161-0020

P 817.252.8000
pier1.com



June 21, 2017

Bhargav J. Shah

Dear Bhargav,

This letter confirms the offer of employment with Pier 1 Services Company (" Pier 1 Imports" or "the Company") for the position of Senior Vice President, Chief Information Officer, in Fort Worth, Texas. The position reports to the President and Chief Executive Officer at a starting base salary of \$425,000 per year (\$16,346.15 bi-weekly); in each case subject to required withholdings for applicable taxes and voluntary pay deductions pursuant to the terms of this letter.

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

Your position with Pier 1 Imports entitles you to participate in the Fiscal 2018 annual short -term performance plan. Your participation will be at a 75% of base salary bonus target level, and will be pro rated from your date of hire. The incentive will be described in an award agreement which will be delivered to you upon commencement of employment. Your participation in the annual incentive plan is subject to the terms and conditions of that award agreement and the governing plan document.

As an officer of Pier 1 Imports, you will also be eligible to participate in the Company's Fiscal 2018 long term incentive plan. For Fiscal 2018, the equity awards will consist of a target number of shares of restricted stock valued on the date of grant expected to be the first business date following your employment commencement (based on the 30-day trailing average of the closing price of Pier 1 Imports' stock) at approximately \$425,000, with 40% of the grant being time-based shares and 60% being performance-based shares. Vesting rates, performance measure(s) and allocation of the performance-based shares among specific performance measures will be described in an award agreement which will be delivered to you upon commencement of employment.

To partially offset any forfeited short-term incentive opportunity you may incur in transitioning to Pier 1 Imports' Fiscal 2018 short-term incentive plan, the Company agrees to provide a one-time cash payment of \$150,000, less applicable tax withholdings, payable within 30 days of its Fiscal 2018 year end, provided you remain actively employed and, have substantially completed the physical relocation of your family to the Dallas-Fort Worth area.

As an associate of Pier 1 Imports, you will be eligible in April, 2018 for an annual performance review with pay consideration. Further, at that time consideration will be given to re-evaluating the title of your role to the level of Executive Vice President.

Upon satisfaction of normal waiting periods you will be eligible for participation in our employee group insurance plans that include a managed health plan, long-term disability, dental insurance, accident insurance, vision and life insurance, and a prescription drug plan. As an associate, you will also receive a 25% discount on all Pier 1 Imports merchandise.

Additionally, we recognize that you may have a need for transitional medical coverage and Pier 1 Imports is prepared to reimburse you for your COBRA payment (less required withholdings) until you become eligible for Pier 1 Imports group insurance.

Upon satisfaction of the current waiting period of sixty days, you will be eligible to participate in the Company's 401(k) retirement plan. This plan currently offers mandatory employer matching contributions based on your pre-tax contributions to the plan. The match is 100% of the first 1% of your eligible compensation to the plan and 50% of the next 4% of your eligible compensation contributed to the plan. For example, if you choose to contribute 5% of your eligible compensation, Pier 1 Imports would make a matching employer contribution, each pay period, at 3% of your eligible compensation, to your plan account. The details of the plan, including the vesting schedule will be provided to you upon employment in the 401(k) Summary Plan Description.

After sixty days of continuous employment, you will also be eligible to participate in the Pier 1 Imports, Inc. Stock Purchase Plan, an after-tax plan. This plan offers an employer matching contribution. You may contribute up to 20% of your eligible compensation to this plan. Pier 1 Imports will match that contribution at 25% and your deferral plus the match will be used to purchase Pier 1 Imports stock for your account. Details of this benefit will be provided to you upon employment.

As a Senior Vice President at Pier 1 Imports, after sixty days of employment, you are also eligible to participate in the Pier 1 Imports, Inc. Deferred Compensation Plan. The Company will make a matching contribution, allocated to deemed investment balance(s) selected by you, based upon elective deferrals of your compensation. The match is 100% of the first 1% of eligible compensation deferred and 50% of the next 4% of eligible compensation deferred. The details of the plan, including the vesting schedule and a summary description will be provided to you upon employment.

Upon commencement of employment, you will be eligible for four weeks of vacation to expire at the end of the current fiscal year (Fiscal 2018). In addition, after six months of continued employment, you will be granted two floating holidays.

You will be eligible for relocation benefits of up to \$90,000 in accordance with the Company's standard relocation policy. Administration of the Company's relocation plan is through TRC, the Company's relocation vendor.

Your employment with Pier 1 Imports will be "at will" and is subject to Pier 1 Imports' terms and conditions of employment set forth in our associate handbook.

We are very excited about the opportunities available for you at the Pier 1 Imports. If you have any questions, comments or concerns, please call me. My office number is __. My cellular number is __.

If this letter correctly sets forth your understanding of Pier 1 Import s' offer of employment, then please sign where indicated below to acknowledge your acceptance and return a copy to me.

Sincerely,

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

Agreed to:

/s/ Bhargav Shah
Bhargav Shah

6/23/2017
Date

Cc: Alasdair James

Bhargav Shah

Position:	Senior Vice President, CIO
Reporting To:	Alasdair James, President & CEO
Base Salary:	\$425,000 if annualized (\$16,346.15 bi-weekly)
Annual Target Bonus:	\$319,000 (target 75% of base)
	<ul style="list-style-type: none"> •1st year to be pro-rated from date of hire •Annual maximum 200% of target
Long-Term Incentive:	Dollar value (\$425,000) equivalent to 100% base salary upon commencement of employment
	<ul style="list-style-type: none"> •Combination of time-based and performance-based restricted (full value) shares (40% time-based; 60% performance-based with 2X target opportunity)
Other Benefits:	<ul style="list-style-type: none"> •To make whole on short-term incentive opportunity during initial year of employment, Pier 1 Imports agrees to a one-time payment of \$150,000 following the end of its Fiscal '18 year, provided you remain currently employed, and you have physically relocated your family to the DFW area by the time of payment •25% store discount •Four weeks vacation through remainder of Fiscal '18 •Two floating holidays after 6 months continued employment
401(k):	60% company match at 5% contribution; eligible after 60 days of employment; vesting period of six years; contributions allowed from 1-50% of base salary
DCP:	Tax deferred; 60% company match at 5% contribution; eligible after 60 days of employment; vesting period of six years; contributions allowed from 1-50% of base salary
Stock Purchase Plan:	25% company match dependent on continuous participation in the plan; eligible after 60 days of employment; fully vested at all times during participation; contributions allowed up to 20% of base salary
Group Insurance:	<ul style="list-style-type: none"> •Managed Care Health Plan - until eligible, 1st month following completion of 30 days of employment, Pier 1 will reimburse for COBRA expenses •Dental Insurance •Vision Insurance •Flexible Spending Accounts

	<ul style="list-style-type: none">•Disability•Accident Insurance•Life Insurance
Relocation:	You will be eligible for relocation benefits of up to \$90,000 in accordance with the Company's standard relocation policy

* Offer of employment is made contingent upon receipt of satisfactory reference checks and upon approval of Pier 1 Imports Compensation Committee

**AGREEMENT FOR SEVERANCE BENEFITS AND
FOR RELEASE, WAIVER AND NONDISCLOSURE**

WHEREAS, heretofore Catherine David Buley is or has been an employee of Pier 1 Services Company;

WHEREAS, the employment relationship between Catherine David Buley and Pier 1 Services Company has been discontinued effective May 1, 2018;

WHEREAS, severance benefits will benefit Catherine David Buley during the transition following discontinuation of her employment;

WHEREAS, Pier 1 Services Company has agreed to extend severance benefits to Catherine David Buley, and in exchange, Catherine David Buley has agreed to release and waive all claims and damages relating to her employment and the discontinuation thereof;

WHEREAS, Catherine David Buley represents that she has not assigned, sold, conveyed or transferred any claims of the type described below to third parties including, but not limited to, attorneys; and

WHEREAS, Catherine David Buley, on behalf of herself and her agents, assigns, relatives, spouse (if any) and related persons (hereinafter collectively referred to as "Employee"), and Pier 1 Services Company on behalf of itself and its parent(s), subsidiaries and affiliated companies (corporate and noncorporate), and on behalf of its and their directors, officers, employees, agents, representatives and related persons and entities (hereinafter collectively referred to as "Pier 1") wish to enter into this Agreement for Severance Benefits and for Release, Waiver and Nondisclosure (hereinafter referred to as "Agreement").

NOW THEREFORE, in consideration of the mutual covenants, warranties and undertakings set forth herein, Employee and Pier 1 agree as follows:

1. By executing this Agreement Employee (subject to her right to revoke or rescind this Agreement during the Revocation Period [as defined below]) hereby agrees to accept severance benefits in the amount of \$504,927.00 (less applicable taxes and withholding amounts), provided that Employee does not revoke or rescind this Agreement during the Revocation Period.

By executing this Agreement, Pier 1 Services Company agrees to tender said amount after the expiration of the Revocation Period, provided that Employee executes this Agreement within the time period stated below and does not revoke or rescind this Agreement during the Revocation Period.

The severance payments provided under this Agreement are intended to be exempt from or in full compliance with the provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and this Agreement shall be administered in a manner consistent with this intent.

2. Employee hereby irrevocably and unconditionally releases Pier 1 from any and all claims and causes of action, known or unknown, and recoverable damages (including claims for statutory attorney's fees), relating to or arising in any way from Employee's employment with Pier 1 and the discontinuation of such employment. Employee hereby waives all claims and causes of action against Pier 1 and all damages, if any, that may be recoverable, including the recovery of statutory attorney's fees. This release and waiver of all claims and damages includes, but is not limited to, all claims, losses, liabilities, obligations and causes of action, known and unknown, arising out of, connected with, or relating to: (i) Employee's employment; (ii) Pier 1's refusal or failure to continue Employee's employment; or (iii) the termination of Employee's employment, including, but not limited to, claims for compensation, commissions, bonuses, stock options, other wages and benefits, breach of contract, wrongful termination, impairment of economic opportunity, intentional infliction of emotional distress, claims based on personal injury, work-related accident, any breach of implied or express covenant of good faith and fair dealing, violation of public policy, or any other contract, tort or personal injury claim, or claim based on any municipal, state or federal statute, regulation or ordinance relating to employment, employment discrimination or retaliation, including but not limited to Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. § 2000 et seq.; The Civil Rights Act of 1866, as amended, 42 U.S.C. § 1981; The Civil Rights Act of 1991, as amended, 42 U.S.C. § 1981a; **The Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. § 621 et seq.**; Americans With Disabilities Act, as amended, 42 U.S.C. § 12101 et seq.; Fair Labor Standards Act, as amended, 29 U.S.C. § 201, et seq.; Equal Pay Act, as amended, 29 U.S.C. § 201 et seq.; National Labor Relations Act, as amended, 29 U.S.C. § 151 et seq.; Worker Adjustment and Retraining Notification Act, as amended, 29 U.S.C. § 2101 et seq., Employee Retirement Income Security Act, as amended, 29 U.S.C. § 1000 et seq.; Family and Medical Leave Act, as amended, 29 U.S.C. § 2601, et seq.; claims under workers' compensation laws (except the right to file a claim for and receive workers' compensation benefits); or any other statute, rule, regulation, ordinance, or common civil or other law, or judicial or administrative interpretation whether promulgated by Federal, State, local or other jurisdiction or political subdivision. This Agreement extinguishes any potential monetary recovery from any claims Employee may have relating to her employment with Pier 1 and the termination of her employment.

This Agreement does not release or terminate any of Employee's rights pursuant to the Indemnification Agreement dated January 18, 2011, between Employee and Pier 1 Imports, Inc. (the "Indemnification Agreement").

Employee represents and warrants that Employee has not assigned to any third party any claim involving Pier 1 or authorized any third party to assert on your behalf any claim against Pier 1. If a third party asserts a claim against Pier 1 on Employee's behalf or includes Employee as a class member in any class action involving any claim released under this Agreement, Employee shall not accept any benefits or damages relating to or arising out of such claim.

Additionally, Employee ratifies and confirms her resignation effective May 1, 2018, as an officer of any entity within the definition of Pier 1 for which she served.

3. This Agreement does not prohibit, release or waive Employee's rights as an employee (i) to any vested benefits under a benefit plan which by its terms specifically provides for the vesting of benefits, (ii) to convert any insured benefits under an employee benefit plan to

the extent the plan allows conversion, or (iii) to maintain her medical insurance in force as provided by the Comprehensive Omnibus Budget Reconciliation Act of 1985 (COBRA), or (iv) to file or otherwise institute, participate or cooperate in any investigation, charge and/or claim with Congress or a federal, state, or local government agency.

4. It is expressly understood and agreed that this Agreement is not and shall not be construed as an admission of liability on the part of Pier 1, and any such admission is expressly denied.

5. Employee represents and warrants that as of May 1, 2018 she has returned all property, equipment, documents and other tangible things, including keys, cell phones, pagers, corporate credit cards, and laptops or other computers of which are the property of Pier 1, or if she has failed to do so, Employee agrees to do so immediately upon finding any such items in her possession.

6. Employee acknowledges that during her employment with Pier 1, Employee has been given access to and use of trade secrets, proprietary data, or other confidential information, which were developed at considerable effort and expense, and which if acquired by competitors of Pier 1 would give them an unfair business advantage. Employee understands and agrees that this information, if used by or disclosed to anyone but Pier 1 and its employees with a need to know, will place Pier 1 at a competitive disadvantage. Employee further acknowledges that she has not used or disclosed such trade secrets, proprietary data, or other confidential information during her employment with Pier 1, except as authorized in writing by Pier 1 or in the normal exercise of her job duties for the benefit of Pier 1.

In further consideration for the above-recited covenants, promises and statements of understanding between the parties, including the payment described in Paragraph 1 of this Agreement, to which Employee is otherwise not entitled, Employee agrees that she shall not, without the prior express written consent of Pier 1, directly or indirectly communicate or disclose, or use for her benefit or the benefit of any other person, firm, association, or corporation, any of the Pier 1's trade secrets, proprietary data or other confidential information, which trade secrets, proprietary data and other confidential information were communicated to or otherwise learned or acquired by Employee during her employment relationship with Pier 1, except that Employee may disclose such matters to the extent that disclosure is required (a) at the Company's direction or (b) by a lawful subpoena or other similar legal process of a court or other governmental agency of competent jurisdiction; provided, that, Employee gives Pier 1 prompt written notice of such legal process and that Employee reasonably cooperates with Pier 1 in seeking a protective order. For so long as such matters remain trade secrets, proprietary data, or other confidential information, Employee agrees not use such trade secrets, proprietary data, or other confidential information in any way or in any capacity other than as expressly consented to by Pier 1.

Nothing in the above paragraph shall be construed to restrict Catherine David Buley from using her general knowledge, skills, and experience acquired during her employment with Pier 1 in future employment whether or not such employment is with a direct competitor of Pier 1.

Such trade secrets, proprietary data, or other confidential information include, but are not limited to, the following: information concerning strategic marketing plans or product development plans; cost or pricing information; vendor or supplier information; business plans or methods; customer lists or data; information regarding proposed joint ventures, mergers, acquisitions, and other such anticipated or contemplated business ventures of Pier 1; projects, whether completed, in progress, or only contemplated; real estate plans and strategy; investment opportunities and other information related to investments of Pier 1, whether past, present or future; confidential financial information; financial planning and analysis modeling and methodology; intellectual property; financial accounting and reporting; tax planning and strategy; personnel information; ideas; discoveries; designs; inventions; improvements; know-how; writings and other works of authorship; computer programs; accounting information; lists; analyses; studies; technology; programs; flow charts; information regarding products or techniques; strategies; or, any other business information that relates in any manner to the actual or anticipated business of Pier 1, and which they have not intentionally disclosed to its competitors or to the general public.

The obligations set forth herein shall be in addition to any other confidentiality obligations that Employee may have to Pier 1.

7. Employee shall not make any untrue, misleading, or disparaging statements, or comments concerning Pier 1. The commitments in this paragraph and in other paragraphs of this Agreement will not limit or prohibit Employee from testifying truthfully, or providing truthful information in connection with any pending or threatened legal proceeding. Further, nothing in this paragraph or in any other paragraph of this Agreement prohibits Catherine David Buley from reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, including, but not limited to, the United States Department of Justice, the Securities and Exchange Commission, Congress, and/or any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions or other provisions of federal, state, or local law or regulation. Catherine David Buley does not need the prior authorization of Pier 1 to make any such reports or disclosures and she is not required to notify Pier 1 that she has made such reports or disclosures.

8. Employee agrees to cooperate with Pier 1 at such reasonable times and places as may be reasonably requested, and to provide all information that may be reasonably requested with respect to any matter involving her present or former relationship with Pier 1, the work she has performed for Pier 1, or present or former employees, so long as such requests do not unreasonably interfere with any other job or significant personal activity in which she is engaged. This specifically includes Employee's assistance in regulatory inquiries, investigations and litigation matters, including depositions and/or court appearances in connection therewith, which may include appearances in other states. Pier 1 will make every effort to schedule these matters at times and locations convenient for Employee should they arise. Pier 1 will reimburse Employee for reasonable expenses, such as telephone, travel, lodging, and meal expenses she incurs at the request of Pier 1, consistent with Pier 1's generally applicable policies for employee expenses.

9. This Agreement is not renewable, may not be modified, and may not be extended beyond the period described below, except by a written document signed by Employee and the Senior Vice President-Human Resources of Pier 1.

10. This Agreement represents and encompasses the entire agreement between the parties and supersedes all prior and contemporaneous (whether written or oral) negotiations, representations, agreements and understandings.

11. This Agreement shall be governed by the laws of the State of Texas. Should a lawsuit be filed to enforce the terms of this Agreement, venue shall lie exclusively in the courts located in Tarrant County, Texas.

12. It is the intention of the parties that neither this Agreement nor any part thereof is admissible in any administrative or judicial proceeding other than one to enforce the terms of this Agreement.

13. Employee represents that she is being given at least twenty-one (21) days to consider this Agreement before signing it, and further, that she is advised in writing to consult with an attorney before signing it.

14. Employee may revoke or rescind this Agreement during the seven (7) day period following the date of execution of this Agreement by Employee (the "Revocation Period"). This Agreement shall not become effective nor enforceable during the Revocation Period. Should Employee decide to revoke or rescind this Agreement during the Revocation Period, then she must do so by serving written notice to Pier 1 Services Company by facsimile at __, Attn: Legal Department.

15. Employee acknowledges that the injury Pier 1 will suffer in the event of her breach of any covenant or agreement set forth in Paragraphs 6 or 7 herein cannot be compensated by monetary damages alone, and Employee therefore agrees that Pier 1, in addition to and without limiting any other remedies or otherwise, shall have the right to obtain an injunction against Employee.

16. Should any clause, sentence, provision, paragraph or part of this Agreement for any reason whatsoever, be adjudged by any court of competent jurisdiction, or be held by any other competent authority having jurisdiction, to be invalid, unenforceable, or illegal, such judgment or holding shall be confined in its operation to the clause, sentence, provision, paragraph or part of this Agreement directly involved, and the remainder of this Agreement shall remain in full force and effect.

17. Employee represents that she fully understands that she may consult with her personal attorney regarding this Agreement and has done so to the extent, if at all, that she deems appropriate. Employee warrants that she has had a reasonable period of time to review this Agreement, that she has carefully read and fully understands all of the provisions and effects of this Agreement and that she has voluntarily executed it in the space provided below. Employee further warrants and represents that the severance benefit described in this Agreement is an exchange of consideration or value to which she is not otherwise entitled.

18. If Employee should breach any term of the Agreement, any delay by Pier 1 in enforcing the Agreement shall not be deemed a waiver or acceptance. No waiver shall bind Pier

I unless supported by consideration, executed in writing by the party to be bound, and delivered by an authorized officer or agent.

19. This Agreement shall be fairly construed based on its language and without regard to the author of the language.

Pier 1 Services Company,
a Delaware statutory trust

By: Pier 1 Holdings, Inc.,
a Delaware corporation,
its managing trustee

/s/ Catherine David Buley

Catherine David Buley

Associate ID:

Address:

Date: May 9, 2018

By: /s/ Christine C. Murray
Printed

Name: Christine C. Murray

Its: Senior V.P. – Human Resources

Date: 5/14/18

Please return your signed Severance Agreement to:

Pier 1 Imports

Attn: Christine C. Murray

100 Pier 1 Place

Fort Worth, Texas 76102

RESTRICTED STOCK UNIT AWARD AGREEMENT
JUNE 26, 2018
Time-Based Award

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (“Agreement”) is made effective and entered into as of June 26, 2018 (the “Grant Date”), by and between PIER 1 IMPORTS, INC., a Delaware corporation (the “Company”), and _____ (the “Grantee”).

WHEREAS, pursuant to the Non-Employee Director Compensation Plan (“NEDCP”), non-employee directors of the Company are granted a restricted stock unit award annually under the terms set forth in the NEDCP; and

WHEREAS, pursuant to the NEDCP, such restricted stock unit award shall be granted to non-employee directors elected at an annual meeting of shareholders of the Company (an “Annual Meeting”); and

WHEREAS, pursuant to the provisions of the Pier 1 Imports, Inc. 2015 Stock Incentive Plan, as amended (the “Plan”), the Company’s Board of Directors has determined that the Compensation Committee (“Committee”) will administer the Plan and pursuant to the Plan the Committee has the authority to grant Awards under the Plan to members of the Company’s Board of Directors (the “Board”); and

WHEREAS, the Grantee has been elected as a non-employee director of the Company and the Committee has determined that the Grantee be granted a Restricted Stock Unit Award under the Plan, in an amount and upon the terms and conditions set forth below, which are in accordance with the terms of the NEDCP;

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

1. Grant of Award. The Grantee is hereby granted _____ restricted stock units under the Plan (the “Units”), subject to the terms and conditions set forth herein, which are convertible, on a one-for-one basis, into shares of Common Stock.
 2. Vesting of Units. The Units have been credited to a bookkeeping account on behalf of the Grantee. The Units will vest and become non-forfeitable on the earliest to occur of the following (each, a “Vesting Date”):
 - (a) at the expiration of a one-year period following the Grant Date, provided the Grantee is then serving as a member of the Company’s Board;
 - (b) upon the termination of the Grantee’s service as a member of the Company’s Board due to death or disability;
 - (c) upon the occurrence of a Corporate Change, unless the Units are assumed by the surviving entity or otherwise equitably converted or substituted in connection with the Corporate Change.
-

If the Grantee's service as a member of the Company's Board terminates prior to a Vesting Date for any reason other than as set forth in subsection (b) above, the Grantee shall forfeit all right, title and interest in and to the then unvested Units as of the date of such termination and the unvested Units will be reconveyed to the Company without further consideration or any act or action by the Grantee.

The one-year period Vesting Date for purposes of the Units shall run from the date of the Grantee's election as a non-employee director at the Annual Meeting to the next year's Annual Meeting following the date of grant; provided, however, that if the date of the next Annual Meeting following the date of grant shall be less than fifty weeks from the previous year's Annual Meeting, the Vesting Date for such Units shall occur upon the one-year anniversary of the date of grant.

3. Conversion to Stock. Unless the Units are forfeited prior to the Vesting Date as provided in Section 2 above, the Units will be converted to actual shares of Common Stock on **choose one:** [the Vesting Date] **or** [the [third][fifth] anniversary of the Grant Date] **or** [the termination of the Grantee's service as a member of the Company's Board] **or** [the earlier of (i) the [third][fifth] anniversary of the Grant Date or (ii) the termination of the Grantee's service as a member of the Company's Board] (the "Conversion Date"). The shares of Common Stock will be registered in the name of the Grantee as of the Conversion Date, and certificates for the shares of Common Stock (or, at the option of the Company, statements of book-entry notation of the shares of Common Stock in the name of the Grantee in lieu thereof) shall be delivered to the Grantee or the Grantee's designee upon request of Grantee as soon as practicable after the Conversion Date; *provided, however,* that the Company shall not be obligated to issue any fractional shares of Common Stock.

4. Rights as a Shareholder. The Grantee shall not have voting or any other rights as a shareholder of the Company with respect to the Units. Dividends or dividend equivalents will not be paid with respect to the Units. Upon conversion of vested Units into shares of Common Stock, the Grantee will obtain voting and other rights as a shareholder of the Company.

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

6. Incorporation of Plan Provisions; Definitions. This Restricted Stock Unit Award Agreement is made pursuant to the Plan and is subject to all of the terms and provisions of the Plan as if the same were fully set forth herein, and receipt of a copy of the Plan is hereby acknowledged. Capitalized terms not otherwise defined herein shall have the same meanings set forth for such terms in the Plan.

7. Miscellaneous. This Restricted Stock Unit Award Agreement (a) shall be binding upon and inure to the benefit of any successor of the Company, (b) shall be governed by the laws of the State of Delaware, and any applicable laws of the United States, and (c) may not be

amended without the written consent of both the Company and the Grantee. No contract or right of continued service shall be implied by this Agreement, nor shall this Agreement lessen or affect the Company's rights to terminate the services of the Grantee. The terms and provisions of this Agreement shall constitute an instruction by the Grantee with respect to any uncertificated restricted shares of Common Stock covered by this Award.

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

COMPANY:
Pier 1 Imports, Inc.

GRANTEE:

By: _____
Name: _____
Title: _____

**RESTRICTED STOCK AWARD AGREEMENT
JUNE 29, 2018 TIME-BASED AWARD**

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

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

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

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

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

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

1. Grant of Award. The Grantee is hereby granted a Restricted Stock Award under the Plan (this “Award”), subject to the terms and conditions hereinafter set forth, with respect to _____ (_____) restricted shares of Common Stock. Restricted shares of Common Stock covered by this Award shall be represented by a stock certificate registered in the Grantee’s name, or by uncertificated shares designated for the Grantee in book-entry form on the records of the Company’s transfer agent, subject to the restrictions set forth in this Agreement. Any stock certificate issued shall bear the following or a similar legend:

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

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

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

3. Restrictions.

(a) Vesting. The restrictions on the shares of Common Stock covered by this Award shall lapse and such shares shall vest at the rate of (i) thirty-three percent (33%) of such shares on first anniversary date of grant of this Award, (ii) thirty-three percent (33%) of such shares on the second anniversary date of grant of this Award, and (iii) thirty-four percent (34%) of such shares on the third anniversary of the date of grant of this Award; *provided, however*, that the Company shall not be obligated to vest any fractional shares of Common Stock and any such fractional shares upon vesting shall be rounded to the nearest whole number.

(b) Corporate Change. The restrictions on the shares of Common Stock covered by this Award shall lapse and such shares shall vest upon (i) a Corporate Change (as defined in the Plan) AND (ii) the occurrence of one of the following: (a) the shares of Common Stock covered by this Award are not assumed by the surviving or acquiring entity or otherwise equitably converted or substituted in connection with the Corporate Change, or (b) the shares of Common Stock covered by this Award are assumed by the surviving or acquiring entity or otherwise equitably converted or substituted in connection with the Corporate Change and the termination of Grantee's employment by the Company (or the surviving or acquiring entity) without Cause (as defined in Section 10 below) or Grantee's resignation for Good Reason (as defined in Section 10 below) occurs within one year after the effective date of the Corporate Change.

(c) Termination of Employment. Upon termination of employment of the Grantee with the Company or any Affiliate of the Company (or the successor of any such company) for any reason other than as specified in Section 3(b) above, the Grantee shall forfeit all rights in shares of Common Stock covered by this Award as to which the restrictions thereon shall not have lapsed, and the ownership of such shares shall immediately vest in the Company. For purposes of this Award, no termination of Grantee's employment shall occur as a result of the transfer of Grantee between the Company and any Affiliate or as a result of the transfer of the Grantee between two Affiliates. The cessation of a relationship between the Company and an Affiliate with which the Grantee is employed whereby such company is no longer an Affiliate shall constitute a termination of employment of the Grantee.

4. Voting and Dividend Rights. With respect to the Common Stock covered by this Award for which the restrictions have not lapsed, the Grantee shall have the right to vote such

shares but shall not receive any cash dividends paid with respect to such shares. Any dividend or distribution payable with respect to restricted shares of Common Stock covered by this Award that shall be paid in shares of Common Stock shall be subject to the same restrictions provided for herein. Any other form of dividend or distribution payable on shares of the restricted shares of Common Stock covered by this Award, and any consideration receivable for or in conversion of or exchange for the restricted shares of Common Stock covered by this Award, unless otherwise determined by the Committee, shall be subject to the terms and conditions of this Agreement or with such modifications thereof as the Committee may provide in its absolute discretion.

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

6. Covenants Not to Disclose, Solicit or Compete.

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

(i) Grantee acknowledges that: (A) the Company and its Affiliates are engaged in a continuous program of research and development respecting their activities, business and customers throughout the United States and the countries in which they operate or conduct business (the foregoing, together with any other businesses in which the Company and/or its Affiliates engage from the date hereof to the date of the termination of Grantee's employment with the Company and/or any of its Affiliates to be known as the "Company Business"); (B) Grantee's work for and position with the Company and/or its Affiliates has allowed Grantee, and will continue to allow Grantee, access to trade secrets of, and Confidential Information (as defined below) concerning the Company Business; (C) the Company would not have agreed to grant the Grantee this Award but for the agreements and covenants contained in this Agreement; and (D) the agreements and covenants contained in this Agreement are necessary and essential to protect the business, goodwill, and customer relationships that Company and/or its Affiliates have expended significant resources to develop. The Company agrees and acknowledges that, on or following the date of this Agreement, the Company and/or its Affiliates will provide Grantee with one or more of the following: (X) continued and ongoing authorization through computer passwords or by other means to access Confidential Information regarding the Company, its Affiliates and the Company Business; (Y) authorization to represent the Company and/or its Affiliates in

communications with customers, suppliers, vendors, manufacturers, agents and other third parties to promote the goodwill of the Company Business, all in accordance with generally applicable policies of the Company and/or its Affiliates; and (Z) participation in certain restricted access meetings, conferences or training relating to Company Business and the Grantee's position with the Company and/or its Affiliates. Grantee understands and agrees that if Confidential Information were used in competition against the Company and/or its Affiliates, the Company and/or its Affiliates would experience serious harm and the competitor would have a unique advantage against the Company and/or its Affiliates.

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

(iii) "Confidential Information" means any and all data and information relating to Company Business that (A) is disclosed to Grantee or of which Grantee becomes aware as a consequence of Grantee's employment with the Company and/or its Affiliates; (B) has value to the Company and/or its Affiliates; and (C) is not generally known outside of the Company and/or its Affiliates. Confidential Information shall include, but is not limited to the

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

(iv) Grantee agrees that Grantee will not retain or destroy (except as set forth below), and will immediately return to the Company on or prior to the date that Grantee's employment with the Company and/or its Affiliates shall terminate for any reason (the "Date of Termination"), or at any other time the Company requests such return, any and all property of the Company and/or its Affiliates that is in Grantee's possession or subject to Grantee's control, including, but not limited to, customer, buying agent, vendor and manufacturer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, keys, access cards, credit cards, identification cards, equipment, computers, mobile devices, other electronic media, all other files and documents relating to the Company and/or its Affiliates and its business (regardless of form, but specifically including all electronic files and data of the Company and/or its Affiliates), together with all Confidential Information belonging to the Company and/or its Affiliates or that Grantee received from or through Grantee's employment with the Company and/or its Affiliates. Grantee will not make, distribute, or retain copies of any such information or property. To the extent that Grantee has electronic files or information in Grantee's possession or control that belong to the Company or its

Affiliates or contain Confidential Information (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to the Date of Termination, or at any other time the Company and/or its Affiliates requests, Grantee shall (A) provide the Company with an electronic copy of all of such files or information (in an electronic format that is readily accessible by the Company); (B) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-Company and/or non-Affiliate owned computers, mobile devices, electronic media, cloud storage, and other media, devices, and equipment, so that such files and information are permanently deleted and irretrievable; and (C) provide a written certification to the Company that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted.

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

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

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

(ii) The term "Home Fashions or Furniture Business" shall mean a business (however organized or conducted, including any on-line e-commerce operations) that primarily engages in the sale, marketing, distribution, manufacturing or design of merchandise consisting of furniture, decorative accessories, housewares, bed and bath, and seasonal goods, or any other category of merchandise sold by the Company and/or its Affiliates during the Grantee's

employment. By way of illustration, a “Home Fashions or Furniture Business” shall include such businesses as the Company, Restoration Hardware, Inc., Kirkland’s, Inc., Williams-Sonoma, Inc., Pottery Barn, Inc., Tuesday Morning Corporation, and Bed, Bath & Beyond, Inc. and stores under the names “World Market,” “Cost Plus,” “Cost Plus World Market,” “Crate & Barrel,” “Home Goods,” “Home Sense,” “IKEA,” “Wayfair,” “Hayneedle,” and “At Home.”

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

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

(d) Enforcement of Protective Covenants.

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

part of Grantee based on, or arising out of, this Agreement or any other event or transaction.

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

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

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

9. Securities Laws Requirements. The Company shall not be required to issue shares pursuant to this Award unless and until (a) such shares have been duly listed upon each stock exchange on which the Company's Common Stock is then listed; and (b) the Company has complied with applicable federal and state securities laws. The Committee may require the Grantee to furnish to the Company, prior to the issuance of any shares of Common Stock in

connection with this Award, an agreement, in such form as the Committee may from time to time deem appropriate, in which the Grantee represents that the shares acquired by Grantee under this Award are being acquired for investment and not with a view to the sale or distribution thereof.

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

For purposes of this Award, the term (a) "Cause" means the occurrence of any of the following events: (i) refusal by Grantee to follow a lawful direction of any superior officer of the Company or an Affiliate, provided the direction is not materially inconsistent with the duties or responsibilities of Grantee's position; (ii) performance deficiencies which are communicated to Grantee in writing as part of performance reviews and/or other written communications from any superior officer of the Company or an Affiliate; (iii) willful misconduct or reckless disregard by Grantee of Grantee's duties or of the interest or property of the Company or its Affiliates; (iv) any act by Grantee of fraud against, material misappropriation from, or significant dishonesty to either the Company or an Affiliate; or (v) conviction by Grantee of a felony, and (b) "Good Reason" means the occurrence of all of the events listed in either (x) or (y) as follows: (x) a material diminution of Grantee's responsibilities as modified by the Company or an Affiliate from time to time hereafter, such that Grantee would no longer have responsibilities substantially equivalent to those of similarly situated employees at companies with similar revenues and market capitalization; provided that Grantee gives written notice to the Company of the facts and circumstances constituting such material diminution within ten (10) days following the occurrence of such event; the Company or Affiliate fails to remedy such material diminution within ten (10) days following Grantee's written notice of such event; and Grantee terminates employment within ten (10) days following the Company's or Affiliate's failure to remedy such material diminution; or (y) the Company or an Affiliate materially reduces Grantee's base salary without Grantee's consent, unless the reduction is applied equally, expressed as percentage of base salaries, to all similarly situated employees; provided that Grantee gives written notice to the Company within ten (10) days following Grantee's receipt of the notice of reduction in base salary of Grantee's objection to the reduction; the Company or Affiliate fails to rescind the notice of reduction within ten (10) days following Grantee's written notice; and Grantee terminates employment within ten (10) days following the Company's or Affiliate's failure to rescind the notice.

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

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

EXECUTION PAGE OF RESTRICTED STOCK AWARD AGREEMENT

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

COMPANY:
Pier 1 Imports, Inc.

GRANTEE:

By: _____
Alasdair B. James
President and CEO

Address: _____

Email: _____

RESTRICTED STOCK AWARD AGREEMENT
JUNE 29, 2018 PERFORMANCE-BASED AWARD (“EPS AS ADJUSTED”)

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

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

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

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

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

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

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

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

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

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

3. Restrictions.

(a) Certain Definitions and Phrases. For purposes of this Award, the term or phrase means as follows:
“Cause” means the occurrence of any of the following events:

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

The phrase “EPS as adjusted” means the Company’s earnings per share reported in accordance with generally accepted accounting principles (GAAP) adjusted for specified significant unusual or non-recurring or recurring non-cash items or events as provided in the Plan for a given fiscal year period.

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

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

"Measurement Period" means, collectively, each of the Company's three (3) fiscal years beginning on and including March 4, 2018 and ending on and including March 2, 2019 ("Fiscal 2019"); beginning on and including March 3, 2019 and ending on and including February 29, 2020 ("Fiscal 2020"); and beginning on and including March 1, 2020 and ending on and including February 27, 2021 ("Fiscal 2021").

(b) Vesting. The target amount of Performance-Based Shares under this Award is _____ (_____) Performance-Based Shares (the "Target Performance-Based Shares"). Grantee shall have the opportunity to earn a payout percentage of the total Target Performance-Based Shares for each Measurement Period as shown on the table set forth in Section 12 hereof; *provided further*, that Grantee must be employed by the Company or an Affiliate on the date of filing of the Company's Annual Report on Form 10-K with the Securities and Exchange Commission ("SEC") for the Company's fiscal year ending February 27, 2021, in order for the restrictions on the Performance-Based Shares covered by this Award to lapse (in whole or in part, as earned), subject to the other terms and conditions of this Agreement. Any fractional shares created by such vesting will be rounded down to the nearest whole share.

The determination by the Committee with respect to the achievement of EPS as adjusted in any Measurement Period shall be effective upon the filing of the Company's Annual Report on Form 10-K with the SEC for the fiscal year corresponding with the Measurement Period.

(c) Corporate Change. A pro rata portion of the restrictions on the Target Performance-Based Shares shall lapse and such pro rata portion of shares shall vest upon (i) a Corporate Change (as defined in the Plan) AND (ii) the occurrence of one of the following: (a)

the Performance-Based Shares covered by this Award are not assumed by the surviving or acquiring entity or otherwise equitably converted or substituted in connection with the Corporate Change, or (b) the Performance-Based Shares covered by this Award are assumed by the surviving or acquiring entity or otherwise equitably converted or substituted in connection with the Corporate Change and the termination of Grantee's employment by the Company (or the surviving or acquiring entity) without Cause or Grantee's resignation for Good Reason occurs within one year after the effective date of the Corporate Change. The pro rata portion of shares under this Section 3(c) shall be calculated based on the portion of the collective three-year Measurement Period that has elapsed at the time of vesting associated with a Corporate Change.

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

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

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

6. Covenants Not to Disclose, Solicit or Compete.

- (a) Non-Disclosure of Confidential Information and Return of Property.
- (i) Grantee acknowledges that: (A) the Company and its Affiliates are engaged in a continuous program of research and development respecting their activities, business and customers throughout the United States and the countries in which they operate or conduct business (the foregoing, together with any other businesses in which the Company and/or its Affiliates engage from the date hereof to the date of the termination of Grantee's employment with the Company and/or any of its Affiliates to be known as the "Company Business"); (B) Grantee's work for and position with the Company and/or its Affiliates has allowed Grantee, and will continue to allow Grantee, access to trade secrets of, and Confidential Information (as defined below) concerning the Company Business; (C) the Company would not have agreed to grant the Grantee this Award but for the agreements and covenants contained in this Agreement; and (D) the agreements and covenants contained in this Agreement are necessary and essential to protect the business, goodwill, and customer relationships that Company and/or its Affiliates have expended significant resources to develop. The Company agrees and acknowledges that, on or following the date of this Agreement, the Company and/or its Affiliates will provide Grantee with one or more of the following: (X) continued and ongoing authorization through computer passwords or by other means to access Confidential Information regarding the Company, its Affiliates and the Company Business; (Y) authorization to represent the Company and/or its Affiliates in communications with customers, suppliers, vendors, manufacturers, agents and other third parties to promote the goodwill of the Company Business, all in accordance with generally applicable policies of the Company and/or its Affiliates; and (Z) participation in certain restricted access meetings, conferences or training relating to Company Business and the Grantee's position with the Company and/or its Affiliates. Grantee understands and agrees that if Confidential Information were used in competition against the Company and/or its Affiliates, the Company and/or its Affiliates would experience serious harm and the competitor would have a unique advantage against the Company and/or its Affiliates.
- (ii) Grantee agrees that Grantee shall not, directly or indirectly, use any Confidential Information on Grantee's own behalf or on behalf of any person or entity other than the Company and/or its Affiliates, or reveal, divulge, or disclose any Confidential Information to any person or entity not expressly authorized by the Company and/or its Affiliates to receive such Confidential Information. This obligation shall remain in effect for as long as the information or materials in question retain their status as Confidential Information. Grantee further agrees that Grantee shall fully cooperate with the Company and/or its Affiliates in maintaining the Confidential Information to the extent permitted by law. The parties acknowledge and agree that this Agreement is not
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intended to, and does not, alter either the Company's and/or its Affiliates' rights or Grantee's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, Grantee shall not be restricted from: (A) disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; *provided, however*, that in the event such disclosure is required by law, Grantee shall provide the Company with prompt notice of such requirement so that the Company and/or its Affiliates may seek an appropriate protective order prior to any such required disclosure by Grantee; (B) reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, or from making other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation, and Grantee shall not need the prior authorization of the Company and/or its Affiliates to make any such reports or disclosures and shall not be required to notify the Company and/or its Affiliates that Grantee has made such reports or disclosures; (C) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, in either event solely for the purpose of reporting or investigating a suspected violation of law; or (D) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

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

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

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

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

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

(ii) The term "Home Fashions or Furniture Business" shall mean a business (however organized or conducted, including any on-line e-commerce operations) that primarily engages in the sale, marketing, distribution, manufacturing or design of merchandise consisting of furniture, decorative accessories, housewares, bed and bath, and seasonal goods, or any other category of merchandise sold by the Company and/or its Affiliates during the Grantee's

employment. By way of illustration, a “Home Fashions or Furniture Business” shall include such businesses as the Company, Restoration Hardware, Inc., Kirkland’s, Inc., Williams-Sonoma, Inc., Pottery Barn, Inc., Tuesday Morning Corporation, and Bed, Bath & Beyond, Inc. and stores under the names “World Market,” “Cost Plus,” “Cost Plus World Market,” “Crate & Barrel,” “Home Goods,” “Home Sense,” “IKEA,” “Wayfair,” “Hayneedle,” and “At Home.”

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

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

(d) Enforcement of Protective Covenants.

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

its rights under the Protective Covenants or applicable law against Grantee shall not be impaired in any way by the existence of a claim or cause of action on the part of Grantee based on, or arising out of, this Agreement or any other event or transaction.

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

7. Disclosure of Agreement. Grantee acknowledges and agrees that, during the twelve (12) months following the Date of Termination, Grantee will disclose the existence and terms of this Agreement to any prospective employer, business partner, investor or lender prior to entering into an employment, partnership or other business relationship with such prospective employer, business partner, investor or lender. Grantee further agrees that the Company and/or any of its Affiliates shall have the right to make any such prospective employer, business partner, investor or lender of Grantee aware of the existence and terms of this Agreement.
 8. Tax Withholding. The obligation of the Company to deliver any certificate or book-entry uncertificated shares to the Grantee pursuant to Section 5 hereof shall be subject to the receipt by the Company from the Grantee of any minimum withholding taxes required as a result of the grant of the Award or lapsing of restrictions thereon. The Grantee may satisfy all or part of such withholding tax obligation by electing to require the Company to purchase that number of unrestricted shares of Common Stock designated by the Grantee at a price equal to the Fair Market Value on the date of lapse of the restrictions or, if the Common Stock did not trade on such day, on the first preceding day on which trading occurred. The Company shall have the right, but not the obligation, to sell or withhold such number of unrestricted shares of Common Stock distributable to the Grantee as will provide assets for payment of any minimum withholding taxes required to be remitted by the Company on behalf of Grantee unless, prior to such sale or withholding, Grantee shall have paid to the Company the amount of such tax. Any balance of the proceeds of such a sale remaining after the payment of such taxes shall be paid over to Grantee. In making any such sale, the Company shall be deemed to be acting on behalf and for the account of Grantee.
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9. Securities Laws Requirements. The Company shall not be required to issue shares pursuant to this Award unless and until (a) such shares have been duly listed upon each stock exchange on which the Company's Common Stock is then listed, and (b) the Company has complied with applicable federal and state securities laws. The Committee may require the Grantee to furnish to the Company, prior to the issuance of any shares of Common Stock in connection with this Award, an agreement, in such form as the Committee may from time to time deem appropriate, in which the Grantee represents that the Performance-Based Shares acquired by Grantee under this Award are being acquired for investment and not with a view to the sale or distribution thereof.

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

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

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

12. Certain Additional Information. This Section 12 sets forth certain information referred to in Section 3 of this Agreement.

Earnings Per Share As Adjusted Vesting Schedule FY 2019	
EPS As Adjusted 3/4/18 – 3/2/19	Vesting Percentage of Target Performance-Based Shares Earned
≥ Target	1/3 X 100% = 33% of total Target Performance-Based Shares

Earnings Per Share As Adjusted Vesting Schedule FY 2020	
EPS As Adjusted 3/3/19 – 2/29/20	Vesting Percentage of Target Performance- Based Shares Earned*
≥ Threshold but < Target	$1/3 \times 75\% = 25\%$ of total Target Performance-Based Shares
≥ Target < Maximum	$1/3 \times 100\% = 33\%$ of total Target Performance-Based Shares
≥ Maximum	$1/3 \times 250\% = 83\%$ of total Target Performance-Based Shares

Earnings Per Share As Adjusted Vesting Schedule FY 2021	
EPS As Adjusted 3/1/20 – 2/27/21	Vesting Percentage of Target Performance- Based Shares Earned*
≥ Threshold but < Target	$1/3 \times 75\% = 25\%$ of total Target Performance-Based Shares
≥ Target but < Maximum	$1/3 \times 100\% = 34\%$ of total Target Performance-Based Shares
≥ Maximum	$1/3 \times 250\% = 83\%$ of total Target Performance-Based Shares

*Vesting of shares between the threshold and maximum EPS as adjusted targets in fiscal year 2020 and fiscal year 2021 shall be interpolated.

EXECUTION PAGE OF RESTRICTED STOCK AWARD AGREEMENT

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

COMPANY:
Pier 1 Imports, Inc.

GRANTEE:

By: _____
Alasdair B. James
President and CEO

Address: _____

Email: _____

Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)

I, Alasdair B. James, certify that:

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

Date: July 11, 2018

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

Certification of the Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)

I, Nancy A. Walsh, certify that:

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

Date: July 11, 2018

By: /s/ Nancy A. Walsh
Nancy A. Walsh, Executive Vice President and Chief Financial Officer

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Each of the undersigned officers of Pier 1 Imports, Inc., hereby certifies that:

1. The Quarterly Report on Form 10-Q of Pier 1 Imports, Inc. for the period ended June 2, 2018, fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the above-mentioned report fairly presents, in all material respects, the financial condition and results of operations of Pier 1 Imports, Inc. for the period covered by the report.

Date: July 11, 2018

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

Date: July 11, 2018

By: /s/ Nancy A. Walsh
Nancy A. Walsh, Executive Vice President and
Chief Financial Officer

