

PIER 1 IMPORTS INC/DE
Form DEF 14A
May 14, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

PIER 1 IMPORTS, INC.

(Name of registrant as specified in its charter)

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(Name of person(s) filing proxy statement, if other than the registrant)

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No fee required.

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

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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PIER 1 IMPORTS, INC.

100 Pier 1 Place

Fort Worth, Texas 76102

May 14, 2012

Dear Shareholder:

The board of directors and management cordially invite you to attend Pier 1 Imports' annual meeting of shareholders to be held at 10:00 a.m., local time, on Tuesday, June 26, 2012, at Pier 1 Imports' corporate headquarters, Mezzanine Level, Conference Center Room C, 100 Pier 1 Place, Fort Worth, Texas 76102. The formal notice of the annual meeting of shareholders and proxy statement are attached. Please read them carefully.

Pier 1 Imports has chosen to furnish its proxy statement and annual report to its shareholders over the Internet, as allowed by the rules of the Securities and Exchange Commission. Rather than mailing paper copies, we believe that this e-proxy process will expedite shareholder receipt of the materials, lower Pier 1 Imports' expenses associated with this process, and eliminate unnecessary printing and paper usage. As a shareholder of Pier 1 Imports, you are receiving by mail (or electronic mail) a Notice of Internet Availability of Proxy Materials (the "Notice") which will instruct you on how to access and review the proxy statement and annual report over the Internet. The Notice will also instruct you how to vote your shares over the Internet. Shareholders who would like to receive a paper copy of the Pier 1 Imports proxy statement and annual report, free of charge, should follow the instructions on the Notice. Shareholders who request paper copies will also receive a proxy card or voting instruction form to allow them to vote their shares by mail in addition to over the Internet or by telephone.

It is important that your shares be voted at the meeting in accordance with your preference. If you do not plan to attend, you may vote your shares by following the instructions in the Notice. If you are able to attend the meeting and wish to vote in person, you may withdraw your proxy at that time. See the response to the question "How do I vote?" in the proxy statement for a more detailed description of voting procedures and the response to the question "Do I need an admission ticket to attend the annual meeting?" in the proxy statement for our procedures for admission to the meeting.

Sincerely,

Alexander W. Smith
President and Chief Executive Officer

Michael R. Ferrari
Chairman of the Board

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PIER 1 IMPORTS, INC.

100 Pier 1 Place

Fort Worth, Texas 76102

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held June 26, 2012

Notice is hereby given that the annual meeting of shareholders of Pier 1 Imports, Inc., a Delaware corporation ("Pier 1 Imports"), will be held on Tuesday, June 26, 2012, at 10:00 a.m., local time, at Pier 1 Imports corporate headquarters, Mezzanine Level, Conference Center Room C, 100 Pier 1 Place, Fort Worth, Texas 76102 for the following purposes, as more fully described in the accompanying proxy statement:

- (1) to elect as directors the eight nominees named in the accompanying proxy statement to hold office until the next annual meeting of shareholders and until their successors are elected and qualified;
- (2) to vote to adopt a non-binding, advisory resolution to approve the compensation of Pier 1 Imports named executive officers as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and narrative discussion in the proxy statement under the caption "Executive Compensation;" and
- (3) to vote to ratify the audit committee's engagement of Ernst & Young LLP as Pier 1 Imports independent registered public accounting firm for fiscal 2013.

In their discretion, the proxies are authorized to vote, as described in the accompanying proxy statement, upon any other business as may properly come before the annual meeting or any adjournment or postponement of the meeting.

Only shareholders of record at the close of business on April 27, 2012, are entitled to receive notice of and to vote their shares at the annual meeting.

Pier 1 Imports is pleased to take advantage of the Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their shareholders over the Internet. Pier 1 Imports believes that this process allows us to provide you with the information you need while lowering the costs associated with the annual meeting. You are cordially invited to attend the annual meeting in person. However, to ensure that your vote is counted at the annual meeting, please vote as promptly as possible.

By order of the board of directors,

Michael A. Carter

Senior Vice President and General Counsel,

Secretary

May 14, 2012

Fort Worth, Texas

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PIER 1 IMPORTS, INC.

100 Pier 1 Place

Fort Worth, Texas 76102

PROXY STATEMENT

FOR

ANNUAL MEETING OF SHAREHOLDERS

To Be Held June 26, 2012

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QUESTIONS AND ANSWERS REGARDING THE PROXY STATEMENT AND ANNUAL MEETING

Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

Pursuant to rules adopted by the Securities and Exchange Commission (SEC), Pier 1 Imports has elected to provide access to its proxy materials over the Internet or, upon your request, has delivered printed versions of these materials to you by mail. These materials are being provided in connection with Pier 1 Imports' solicitation of proxies for use at the annual meeting of shareholders, to be held on Tuesday, June 26, 2012, at 10:00 a.m. local time or at any adjournment or postponement thereof. Accordingly, Pier 1 Imports sent a Notice of Internet Availability of Proxy Materials (the Notice) on or about May 14, 2012, to Pier 1 Imports' shareholders entitled to receive notice of and to vote at the meeting.

All shareholders will have the ability to access the proxy materials on the web site referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice. In addition, shareholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. Pier 1 Imports encourages shareholders to take advantage of the availability of the proxy materials over the Internet.

You are invited to attend the annual meeting and are requested to vote on the proposals described in this proxy statement. The annual meeting will be held on the Mezzanine Level, in Conference Center Room C, of Pier 1 Imports' corporate headquarters located at the address shown above.

How can I get electronic access to the proxy materials?

The Notice will provide you with instructions regarding how to:

view Pier 1 Imports' proxy materials for the annual meeting over the Internet; and

instruct Pier 1 Imports to send future proxy materials to you electronically by email.

Pier 1 Imports' proxy materials are also available on Pier 1 Imports' web site at www.pier1.com/annualreport.

If you previously elected to access your proxy materials over the Internet, you will not receive a Notice or printed proxy materials in the mail. Instead, you have received an email with a link to the proxy materials and voting instructions.

Choosing to receive future proxy materials by email will save Pier 1 Imports the cost of printing and mailing documents to you thereby lowering the costs associated with the annual meeting. If you choose to receive future proxy materials by email, you will receive an email message next year with instructions containing a link to those materials and a link to the proxy voting web site. Your election to receive proxy materials by email will remain in effect until you terminate it.

Shareholders of Record: You may enroll in MLinkSM offered by Pier 1 Imports' transfer agent, Computershare Shareowner Services LLC, formerly Mellon Investor Services LLC, for online access to our future proxy statement and annual report materials and notice of Internet availability of proxy materials by going to <http://bnymellon.com/shareowner/equityaccess> and logging into, or activating, your Investor ServiceDirect[®] account where step-by-step instructions will prompt you through the enrollment process.

Beneficial Owners: If you hold your shares in a stock brokerage account or with a bank or other holder of record, you also may have the opportunity to receive or access copies of these materials electronically. Please check the information provided in the proxy materials or the Notice mailed to you by your broker, bank or other holder of record regarding the availability of this service.

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What is included in these materials?

The Pier 1 Imports, Inc. 2012 Annual Report, which includes a letter to the shareholders, this proxy statement for the annual meeting, and Pier 1 Imports' Annual Report on Form 10-K for the year ended February 25, 2012, as filed with the SEC on April 25, 2012 (the 2012 Form 10-K).

If you requested printed versions of these materials by mail, these materials also include the proxy card or voting instruction form for the annual meeting.

What will the shareholders vote on at the annual meeting?

The shareholders will be asked to vote on the following proposals:

the election as directors of the eight nominees named in this proxy statement to hold office until the next annual meeting of shareholders and until their successors are elected and qualified (PROPOSAL NO. 1);

a non-binding, advisory resolution to approve the compensation of Pier 1 Imports' named executive officers as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative discussion below under the caption Executive Compensation (PROPOSAL NO. 2); and

ratification of the audit committee's engagement of Ernst & Young LLP as Pier 1 Imports' independent registered public accounting firm for fiscal 2013 (PROPOSAL NO. 3).

In their discretion, the proxies are authorized to vote, as described in this proxy statement, upon any other business as may properly come before the annual meeting or any adjournment or postponement of the meeting.

What are the board of directors' voting recommendations?

The board of directors recommends that you vote your shares:

FOR the election of each of the nominees to the board of directors (PROPOSAL NO. 1);

FOR the resolution approving the compensation of Pier 1 Imports' named executive officers as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative discussion below under the caption Executive Compensation (PROPOSAL NO. 2); and

FOR ratification of the audit committee's engagement of Ernst & Young LLP as Pier 1 Imports' independent registered public accounting firm for fiscal 2013 (PROPOSAL NO. 3).

Who is entitled to vote at the annual meeting?

Holders of Pier 1 Imports' common stock at the close of business on April 27, 2012, are entitled to receive the Notice and the Notice of Annual Meeting of Shareholders and to vote their shares at the annual meeting. As of that date, there were 109,513,900 shares of common stock outstanding and entitled to vote. Each share of common stock is entitled to one vote on each matter properly brought before the annual meeting.

What is the difference between holding shares as a shareholder of record and as a beneficial owner?

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If your shares are registered directly in your name with Pier 1 Imports transfer agent, Computershare Shareowner Services LLC, formerly Mellon Investor Services LLC, you are considered, with respect to those shares, the shareholder of record. The Notice and the Notice of Annual Meeting of Shareholders have been sent directly to you by us.

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If your shares are held in a stock brokerage account or with a bank or other holder of record, you are considered the beneficial owner of these shares. The Notice has been forwarded to you by your broker, bank or other holder of record who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to instruct your broker, bank or other holder of record how to vote your shares by following their instructions for voting over the Internet or by telephone, or by following their instructions to request a voting instruction form which can be completed and returned by mail.

How do I vote?

You may vote using any of the following methods:

By Internet or telephone

If you are a shareholder of record, you will need the control number included on the Notice to access the proxy materials. Follow the instructions in the Notice to vote your shares electronically over the Internet, or by calling the toll-free number referenced in the materials available over the Internet.

If you are a beneficial owner of shares, you may vote your shares electronically over the Internet by following the instructions sent to you by your broker, bank or other holder of record, or by calling the toll-free number referenced in the materials available over the Internet.

By mail

If you are a shareholder of record, request from us, by following the instructions on the Notice, printed copies of the proxy materials, which will include a proxy card. If you are a beneficial owner of shares, follow the instructions from your broker, bank or other holder of record to request copies of the proxy materials, which will include a voting instruction form. Be sure to complete, sign and date the proxy card or voting instruction form and return it in the prepaid envelope.

In person at the annual meeting

All shareholders of record may vote in person at the annual meeting. You can request a ballot at the meeting. You may also be represented by another person at the annual meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares, you must obtain a legal proxy from your broker, bank or other holder of record and present it to the inspector of election with your ballot to be able to vote at the annual meeting.

Internet and telephone voting facilities for shareholders of record will be available 24 hours a day, and will close at 11:59 p.m. Eastern Time on June 25, 2012. The availability of Internet and telephone voting for beneficial owners will depend on the voting processes of your broker, bank or other holder of record. We therefore recommend that you follow the voting instructions in the materials provided to you by your broker, bank or other holder of record. If you vote over the Internet or by telephone, you do not have to return a proxy card or voting instruction form. If you are located outside the U.S. and Canada, please use the Internet or mail voting methods. Your vote is important. Your timely response can save us the expense of attempting to contact you again.

What can I do if I change my mind after I vote my shares?

If you are a shareholder of record, you can revoke your proxy prior to the completion of voting at the annual meeting by:

sending written notice to our corporate secretary at 100 Pier 1 Place, Fort Worth, Texas 76102;

timely delivering of a valid, later-dated proxy; or

voting in person at the annual meeting.

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If you are a beneficial owner of shares, you may submit new voting instructions by contacting your broker, bank or other holder of record. You may also vote in person at the annual meeting if you obtain a legal proxy as described in the answer to the previous question.

Are you a shareholder of record?

If you are a shareholder of record, you will receive only one Notice for all the shares of Pier 1 Imports common stock you hold:

in certificate form; and

in book-entry form;

and, if you are also a Pier 1 Imports employee, the Notice will also include all the shares of Pier 1 Imports common stock you hold:

in the Pier 1 Imports, Inc. Stock Purchase Plan; and

in book-entry form for the restricted stock you received under the Pier 1 Imports, Inc. 2006 Stock Incentive Plan.

If you are a beneficial owner of shares, the voting instructions you receive from your broker, bank or other holder of record will show the shares of Pier 1 Imports common stock held by it on your behalf.

What happens if I do not give specific voting instructions?

If you are a shareholder of record and you:

indicate when voting over the Internet or by telephone that you wish to vote as recommended by the board of directors, or

sign and return a proxy card without giving specific instructions,

then the proxy holders will vote your shares in the manner recommended by the board of directors on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the annual meeting. See the response to the question below captioned "Could other matters be decided at the annual meeting?" .

If you are a beneficial owner of shares and do not provide your broker, bank or other holder of record with specific voting instructions, then under the rules of the New York Stock Exchange, your broker, bank or other holder of record may only vote on matters for which it has discretionary power to vote. If your broker, bank or other holder of record does not receive instructions from you on how to vote your shares and such holder does not have discretion to vote on the matter, then that holder will inform the inspector of election that it does not have the authority to vote on the matter with respect to your shares and your shares will not be voted on that matter.

Who will count the votes?

Representatives of Pier 1 Imports transfer agent, Computershare Shareowner Services LLC, formerly Mellon Investor Services LLC, will tabulate the votes and act as inspector of election.

Is there a list of shareholders entitled to vote at the annual meeting?

The names of shareholders of record entitled to vote at the annual meeting will be available at the annual meeting and for ten days prior to the meeting for any purpose germane to the meeting, between the hours of 8:30 a.m. and 5:00 p.m., local time, at our corporate headquarters at 100

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Pier 1 Place, Fort Worth, Texas 76102, by contacting our corporate secretary at (817) 252-8000.

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What constitutes a quorum?

The presence of the holders of a majority of the outstanding shares of common stock entitled to vote at the annual meeting, present in person or represented by proxy, is necessary to constitute a quorum.

How are abstentions and broker non-votes counted in determining the presence of a quorum?

Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a broker, bank or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power to vote on that proposal and has not received voting instructions from the beneficial owner.

What are the voting requirements to elect the directors and to approve, or advise the board of directors with respect to, each of the proposals discussed in this proxy statement?

PROPOSAL	VOTE REQUIRED	DISCRETIONARY VOTING ALLOWED?
No. 1 Election of Directors	Affirmative vote of a majority of the votes cast by the shares present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors	No
No. 2 Approval of Executive Compensation	Affirmative vote of a majority of the shares present in person or represented by proxy at the annual meeting and entitled to vote on the matter	No
No. 3 Ratification of Ernst & Young LLP	Affirmative vote of a majority of the shares present in person or represented by proxy at the annual meeting and entitled to vote on the matter	Yes

If you are a beneficial owner of shares, your broker, bank or other holder of record is entitled to vote your shares on the ratification of the engagement of Ernst & Young LLP as our independent registered public accounting firm for fiscal 2013, even if they, as the holder of record, do not receive voting instructions from you. If you are a beneficial owner, your broker, bank or other holder of record is not entitled to vote on the election of directors or on the non-binding, advisory resolution to approve the compensation of Pier 1 Imports named executive officers, absent voting instructions from you. Without your voting instructions, a broker non-vote will occur on these proposals.

How are abstentions and broker non-votes counted in voting?

Election of Directors:

A majority of the votes cast means that the number of votes cast FOR a nominee for director exceeds the number of votes cast AGAINST the nominee. Abstentions and broker non-votes are not considered as votes cast.

Other Proposals:

Broker non-votes will not be counted as a vote either FOR or AGAINST PROPOSAL NO. 2 (non-binding, advisory resolution to approve the compensation of Pier 1 Imports named executive officers). An abstention will have the same effect as a vote AGAINST PROPOSALS NO. 2 and NO. 3 (ratification of the engagement of Ernst & Young LLP as our independent registered public accounting firm for fiscal 2013).

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Could other matters be decided at the annual meeting?

As of the date we began to deliver the Notice, we did not know of any matters to be brought before the annual meeting other than those described in this proxy statement.

If you vote your shares over the Internet or by telephone, or you sign and return a proxy card or voting instruction form, and other matters are properly presented at the annual meeting for consideration, the proxies appointed by the board of directors (the persons named in your proxy card) will have the discretion to vote on those matters for you.

Who will pay for the cost of this proxy solicitation?

We have hired Phoenix Advisory Partners to assist us in soliciting proxies. We will pay all costs associated with the solicitation, including Phoenix's fees, which are \$9,500 plus expenses. In addition to solicitations by mail, our officers and employees may solicit proxies on behalf of Pier 1 Imports personally and by telephone or other means, for which they will receive no compensation beyond their normal compensation. We may also make arrangements with brokerage houses and other custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of stock held of record by such persons, and we will reimburse them for their reasonable out-of-pocket and clerical expenses.

Do I need an admission ticket to attend the annual meeting?

You will need an admission ticket or proof of stock ownership to enter the annual meeting. If you are a shareholder of record, your admission ticket is the Notice mailed (or sent electronically) to you or the admission ticket attached to your proxy card if you elected to receive a paper copy of the proxy materials. If you plan to attend the annual meeting, please bring it with you to the annual meeting.

If you are a beneficial owner of shares and you plan to attend the annual meeting, you must present proof of your ownership of Pier 1 Imports common stock, such as a bank or brokerage account statement, to be admitted to the annual meeting.

Pier 1 Imports' corporate headquarters is accessible to disabled persons and, upon request, we will provide wireless headsets for hearing amplification. Sign interpretation also will be provided upon request. To request either of these accommodations, please contact our Investor Relations Department on or before June 12, 2012. You may make your request by mail to Pier 1 Imports, Inc., Attn.: Investor Relations Department, 100 Pier 1 Place, Fort Worth, Texas 76102 or by telephone at (817) 252-7835 or toll-free at (888) 807-4371.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the annual meeting. If you have any further questions about attending the meeting, please call our Investor Relations Department at (817) 252-7835 or toll-free at (888) 807-4371.

MATTERS RELATING TO CORPORATE GOVERNANCE, BOARD STRUCTURE, DIRECTOR COMPENSATION AND STOCK OWNERSHIP

Corporate Governance

The board of directors believes that good corporate governance is a prerequisite to achieving business success. Pier 1 Imports' board of directors has adopted written corporate governance guidelines and policies designed to strengthen Pier 1 Imports' corporate governance. Among other things, the guidelines contain standards for determining whether a director is independent, a code of business conduct and ethics applicable to all of Pier 1 Imports' directors, officers and employees, including our chief executive officer, chief financial officer and principal accounting officer, and charters for each of the board of directors' committees. The nominating and corporate governance committee is responsible for overseeing and reviewing the guidelines at least annually, and recommending any proposed changes to the full board for its approval. The Pier 1 Imports, Inc. Corporate

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Governance Guidelines, Code of Business Conduct and Ethics and charters for the audit, compensation, and nominating and corporate governance committees are available on Pier 1 Imports' web site at www.pier1.com at the Investor Relations' Corporate Governance link.

Board Leadership Structure

Pier 1 Imports' bylaws require that the directors elect annually from among themselves a chairman of the board. The bylaws, however, grant the board of directors discretion as to whether the chairman of the board is an employee or an officer of Pier 1 Imports. A non-officer, non-employee elected as chairman of the board is designated as the non-executive chairman of the board. Pier 1 Imports' corporate governance guidelines and policies contain general guidance that the positions of chairman of the board and chief executive officer should be held by separate individuals and that the chairman of the board should be a non-executive. Provisions are made in the guidelines and policies for an independent lead director if the roles of chairman of the board and chief executive officer are combined.

During the last fiscal year, the chairman of the board and chief executive officer roles were held by separate individuals, and the chairman of the board was a non-executive since he was neither an employee nor an officer of Pier 1 Imports. Currently, the chairman of the board is a non-executive. This structure of separate individuals holding these positions focuses board leadership and company leadership in separate and distinct individuals. Each leader can direct her or his respective group on the objectives at hand while at the same time developing and implementing strategic issues, financial issues and operational policies which affect the short- and long-term welfare of Pier 1 Imports.

Director Independence

It is Pier 1 Imports' policy that the board of directors will at all times consist of a majority of independent directors. In addition, all members of the audit committee, compensation committee, and nominating and corporate governance committee must be independent directors. To be considered independent, a director must satisfy both the subjective and objective independence requirements established by the New York Stock Exchange (NYSE). In assessing independence under the subjective test, the board of directors takes into account the standards in the objective tests, and reviews and discusses additional information provided by the directors and Pier 1 Imports with regard to each director's business and personal activities as they may relate to Pier 1 Imports and Pier 1 Imports' management. Based on the foregoing, as required by NYSE rules, the board of directors makes a subjective determination as to each independent director that no material relationship exists with Pier 1 Imports. The board of directors will broadly consider all relevant facts and circumstances relating to a director in determining whether that director is independent.

Based on the NYSE independence requirements, the board of directors has determined that seven of the eight members of the board of directors are independent. They are directors Claire H. Babrowski, John H. Burgoyne, Hamish A. Dodds, Michael R. Ferrari, Brendan L. Hoffman, Terry E. London and Cece Smith. Pier 1 Imports' president and chief executive officer, Alexander W. Smith, is the eighth member of the board of directors. Independence for the non-employee directors was considered under both the subjective and objective standards of the NYSE. In other words, none of the non-employee directors was disqualified from independent status under the objective standards, and under the subjective standard each non-employee director was determined not to have a material relationship with Pier 1 Imports.

Meetings of Independent Directors without Management Present

The independent directors of Pier 1 Imports met without management present four times during the last fiscal year. The non-executive chairman of the board of directors presided over these meetings.

Procedures for Communicating with Directors

The board of directors has established a process by which shareholders and other interested parties can send communications to board members. Shareholders and other interested parties can send written communications to one or more members of Pier 1 Imports' board of directors, addressed to:

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[Name of Board Member], Board of Directors

Pier 1 Imports, Inc.

c/o Corporate Secretary

100 Pier 1 Place

Fort Worth, Texas 76102

In addition, shareholders and other interested parties may communicate with the chairman of the audit committee, compensation committee, executive committee, or nominating and corporate governance committee by sending an email to *auditchair@pier1.com*, *compchair@pier1.com*, *executivechair@pier1.com*, or *corpgovchair@pier1.com*, respectively, as well as with the independent directors as a group by sending an email to *independentdirectors@pier1.com*.

Communications are distributed to the board of directors or to the individual director or directors, as appropriate, depending on the subject matter and facts and circumstances outlined in the communication. Communications that are not related to the duties and responsibilities of the board of directors or a committee will not be distributed, including spam, junk mail and mass mailings, product complaints, product inquiries, new product suggestions, résumés and other forms of job inquiries, surveys, and business solicitations or advertisements. In addition, Pier 1 Imports will not distribute unsuitable material to its directors, including material that is unduly hostile, threatening or illegal.

Director Nomination Process

Board Member Qualification Criteria

The board of directors has adopted *Board Member Qualification Criteria* which set out the attributes and qualifications considered by the nominating and corporate governance committee in evaluating nominees for director. The primary qualities and characteristics the committee looks for in nominees for director are:

management and leadership experience;

relevant knowledge and diversity of background and experience; and

personal and professional ethics, integrity and professionalism.

The committee believes that the board of directors should be comprised of individuals who have achieved a high level of distinction in business, education or public service. As a group, the board of directors should possess a diverse and broad range of skills, perspectives and experience relevant to Pier 1 Imports business, such as:

accounting and financial literacy;

general knowledge of the retail industry;

information technology experience;

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international business experience; and

chief executive officer, chief financial officer or other senior management experience.

Although the *Board Member Qualification Criteria* do not contain a specific policy addressing diversity, the nominating and corporate governance committee considers whether each nominee complements and lends to a diverse and broad range of skills, perspectives and experience required of Pier 1 Imports' board of directors.

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Internal Process for Identifying Candidates

Members of the nominating and corporate governance committee or other Pier 1 Imports directors or executive officers may, from time to time, identify potential candidates for nomination for election to Pier 1 Imports board of directors. The committee typically considers candidates for nomination to Pier 1 Imports board of directors in March (the first month of the fiscal year) of each year. All proposed nominees, including candidates recommended for nomination by shareholders in accordance with the procedures described below, will be evaluated in light of Pier 1 Imports Corporate Governance Guidelines, the *Board Member Qualification Criteria* and the projected needs of the board of directors at the time. The committee may retain a search firm to assist in identifying potential candidates for nomination to the board of directors. The search firm's responsibilities may include identifying and evaluating candidates believed to possess the qualities and characteristics set forth in the *Board Member Qualification Criteria*, as well as providing background information on potential nominees and interviewing and screening nominees if requested to do so by the committee.

Shareholder Recommendations for Directors

The nominating and corporate governance committee will consider candidates recommended by shareholders for nomination for election to Pier 1 Imports board of directors. In order for a candidate recommended by a shareholder to be considered by the committee for inclusion as a nominee for director at the 2013 annual meeting of shareholders, the candidate must meet the *Board Member Qualification Criteria* described above and must consent to and be expressly interested and willing to serve as a Pier 1 Imports director. The committee will then consider the independence of the candidate and evaluate the candidate in light of Pier 1 Imports Corporate Governance Guidelines and *Board Member Qualification Criteria* described above.

A shareholder who wishes to recommend a candidate for consideration by the nominating and corporate governance committee for inclusion as a nominee for director at the 2013 annual meeting of shareholders should forward by certified or express mail the candidate's name, business or residence address, principal occupation or employment and a description of the candidate's qualifications to the Chairman of the Nominating and Corporate Governance Committee, in care of the corporate secretary, Pier 1 Imports, Inc., 100 Pier 1 Place, Fort Worth, Texas 76102. To be properly considered by the committee, Pier 1 Imports corporate secretary must receive the recommendation and all required information no later than 5:00 p.m., local time, on January 14, 2013.

The corporate secretary will send properly submitted shareholder recommendations to the chairman of the committee. Individuals recommended to the committee by shareholders in accordance with these procedures will be evaluated by the committee in the same manner as individuals who are recommended through other means.

Shareholder Nominations at Annual Meeting

Pier 1 Imports bylaws also permit a shareholder to propose a candidate at an annual meeting of shareholders who is not otherwise nominated for election by the board of directors through the process described above if the shareholder complies with the shareholder criteria, advance notice, shareholder and nominee information, consent and other provisions contained in the bylaws governing shareholder nominations of candidates for election to the board of directors. To comply with these provisions of our bylaws, a shareholder who wishes to nominate a director for election at the 2013 annual meeting of shareholders must provide Pier 1 Imports written notice in proper form accompanied by the requisite materials and information no earlier than February 26, 2013 and no later than March 28, 2013. You may contact Pier 1 Imports corporate secretary to obtain the specific information that must be provided with the advance notice.

No shareholder recommended an individual for nomination for election to the board of directors at Pier 1 Imports 2012 annual meeting of shareholders, and no shareholder gave Pier 1 Imports advance written notice that the shareholder intends to nominate a person for election to the board of directors at the 2012 annual meeting of shareholders.

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Committees of the Board of Directors and Risk Oversight

The standing committees of the board of directors are the audit committee, the compensation committee, and the nominating and corporate governance committee. The board of directors may from time-to-time designate an executive committee. A brief description of each committee's functions follows:

Audit Committee. The audit committee's purpose is to:

assist the board of directors with oversight of:

- Ø the integrity of Pier 1 Imports' financial statements,
- Ø Pier 1 Imports' system of internal control,
- Ø Pier 1 Imports' compliance with legal and regulatory requirements,
- Ø Pier 1 Imports' independent registered public accounting firm's qualifications and independence, and
- Ø the performance of Pier 1 Imports' internal audit function and independent registered public accounting firm (including the hiring, compensation and retention of such firm);

prepare the audit committee report that is included in this proxy statement; and

discuss the guidelines and policies governing the process by which risk assessment and management is undertaken by Pier 1 Imports.

As part of fulfilling its role in discussing the guidelines and policies governing the process by which risk assessment and management is undertaken by Pier 1 Imports, the audit committee receives periodic reports from Pier 1 Imports' management on Pier 1 Imports' assessment and management of identified risks. The audit committee updates the board of directors as needed on those risks. From time-to-time the entire board, another committee of the board or a specially designated committee of the board may assist the audit committee in this process.

Each member of the audit committee is independent and the board of directors has determined that each member is an audit committee financial expert, as defined by the SEC, and therefore has accounting or related financial management expertise and is financially literate within the meaning of NYSE listing standards.

Compensation Committee. The compensation committee's purpose is to:

develop, review, approve and modify Pier 1 Imports' compensation philosophy as necessary to achieve Pier 1 Imports' overall business strategies and goals, attract and retain key executives, link compensation to organizational performance, and provide competitive compensation opportunities;

discharge (except to the extent otherwise governed by an existing employment contract or other arrangement approved by the board of directors or compensation committee) the board of directors' responsibilities relating to compensation of Pier 1 Imports' non-employee directors, chief executive officer, executive officers, and other senior officers who report directly to Pier 1 Imports' chief executive officer;

establish, oversee and administer (except to the extent delegated in a governing plan document or otherwise) the policies and plans that govern the components of the compensation of those individuals, including, but not limited to, cash, equity, short- and long-term incentive, bonus, special or supplemental benefits, and perquisites; and

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receive a report from Pier 1 Imports management regarding succession planning, and the development and retention of executive management talent to ensure leadership continuity and organizational strength to achieve Pier 1 Imports business strategies and goals.

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The compensation committee may retain outside compensation consulting firms to assist in the evaluation of executive officer and non-employee director compensation, and has the authority to obtain advice and assistance from internal or external legal, accounting and other consultants.

The compensation committee and board of directors believe that attracting, retaining and motivating Pier 1 Imports employees, and particularly Pier 1 Imports executive management, are essential to Pier 1 Imports performance and enhancing shareholder value. The compensation committee will continue to administer and develop Pier 1 Imports compensation programs in a manner designed to achieve these objectives. The compensation committee also believes that the total compensation opportunity provided for the executive officers must be evaluated against the compensation of comparable peer group companies.

Base pay, short-term incentive and long-term incentive compensation recommendations for the executive officers are typically presented to the compensation committee at one or more of the committee's meetings in January, February and March of each year. The presentations include recommendations by Pier 1 Imports chief executive officer, human resources compensation group, or both, on those elements of compensation, plus recommended plan design changes, if any, and a summary of all proposed awards to all eligible levels of management. The presentations may also include survey data from a peer group of retail companies for the compensation committee's consideration along with studies and recommendations from outside consultants. At the March meeting (which is the first month of the fiscal year) the compensation committee and board of directors consider for approval the fiscal year compensation with a targeted effective date in April. Implementation of any equity grant or other incentive plan compensation for the year occurs after board of directors and compensation committee approvals.

During fiscal 2012, the compensation committee retained Pay Governance LLC as its executive compensation consultant. In its role as executive compensation consultant to the compensation committee, Pay Governance reported directly and was accountable to the compensation committee. For fiscal 2012, Pay Governance provided market data and recommendations to the compensation committee regarding base pay, short-term incentive and long-term incentive elements of total executive compensation. The market data was from a peer group of specialty retailers, all of which were publicly traded at the time the market data was provided. The total fees paid to Pay Governance for the fiscal year were less than \$120,000. Pay Governance did not provide any other services to Pier 1 Imports during fiscal 2012, other than non-customized survey data information.

In addition to the compensation committee consultant described above, Pier 1 Imports management may, from time to time, retain an outside consultant for assistance and guidance in the formulation of new compensation programs and retirement plans and the modification of existing compensation programs and retirement plans. For fiscal 2012 Pier 1 Imports management did not retain an outside consultant to recommend the amount or form of executive or non-employee director compensation.

Each member of the compensation committee is independent.

Executive Committee. During fiscal 2012, and presently, an executive committee is designated by the board of directors. The executive committee has the authority to manage Pier 1 Imports business and affairs in the intervals between board of directors meetings. In doing so, the executive committee has all of the powers and authority of the full board in the management of Pier 1 Imports business, except for powers or authority that may not be delegated to the executive committee pursuant to Pier 1 Imports bylaws, as a matter of law or that are delegated by the board of directors to another committee. The non-executive chairman of the board is chairman of the executive committee.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee is responsible for considering and making recommendations to the board of directors regarding nominees for election to the board of directors and the membership of the various board of directors committees. The nominating and corporate governance committee is also responsible for overseeing the Pier 1 Imports, Inc. Corporate Governance Guidelines described earlier in this proxy statement and other corporate governance matters. Each member of the nominating and corporate governance committee is independent.

Table of Contents**Directors Attendance at Board and Committee Meetings and at the Annual Meeting of Shareholders**

In fiscal 2012, each director attended at least 75% of the total number of board of directors meetings and meetings of the board of directors standing committee or committees on which he or she served and which were held during the time of his or her service as a director and/or committee member. Although Pier 1 Imports has no formal policy on the matter, all directors are encouraged to attend Pier 1 Imports' annual meeting of shareholders. Last year, all directors then serving at the time, except Mr. Ferrari, attended Pier 1 Imports' annual meeting of shareholders. Mr. Ferrari was unable to attend due to an illness. Committee memberships, the number of meetings of the full board and each standing committee, and each director's dates of service for fiscal 2012 are shown in the table below.

Name	Board of Directors	Audit Committee	Compensation Committee	Executive Committee	Nominating and Corporate Governance Committee
Claire H. Babrowski (elected March 25, 2011) 03/25/2011 to 02/25/2012 06/28/2011 to 02/25/2012	Member				Member
John H. Burgoyne 02/27/2011 to 02/25/2012 02/27/2011 to 06/28/2011	Member		Chairman	Member	
Hamish A. Dodds 02/27/2011 to 02/25/2012 06/28/2011 to 02/25/2012	Member	Member			
Michael R. Ferrari 02/27/2011 to 02/25/2012 02/27/2011 to 06/28/2011 06/28/2011 to 02/25/2012	Non-Executive Chairman	Member	Member	Chairman	Chairman
Brendan L. Hoffman 02/27/2011 to 02/25/2012 06/28/2011 to 02/25/2012	Member		Member		
Terry E. London 02/27/2011 to 02/25/2012	Member	Chairman			Member
Alexander W. Smith 02/27/2011 to 02/25/2012	Member			Member	
Cece Smith 02/27/2011 to 02/25/2012 02/27/2011 to 06/28/2011 06/28/2011 to 02/25/2012	Member	Member	Member		Member Chairman
Number of Meetings in Fiscal 2012	6	11	5	0	3

Non-Employee Director Compensation for the Fiscal Year Ended February 25, 2012*Fees Paid to Directors*

Directors who are Pier 1 Imports employees do not receive any compensation for their board activities. Non-employee directors receive an annual cash retainer of \$150,000. In addition, the audit committee chairman and compensation committee chairman each receive an additional annual cash retainer of \$25,000; the nominating and corporate governance committee chairman receives an additional annual cash retainer of \$10,000; and the non-executive chairman of the board of directors receives an additional annual cash retainer of \$75,000. The annual retainers for fiscal 2012 were paid monthly in arrears. For fiscal 2012, non-employee directors did not receive additional fees for attending meetings. For fiscal 2012, non-employee directors did not receive stock option or restricted stock grants.

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During fiscal 2012, all of Pier 1 Imports' non-employee directors, other than Ms. Babrowski, participated in Pier 1 Imports' Director Deferred Stock Unit Program. The program provided an optional deferral of up to 100% of the annual cash retainer fees. Deferred director annual retainer fees (but not committee chair or chairman annual retainers) are matched 25% by Pier 1 Imports and the total deferred fees and matching contributions are converted into an equivalent value of deferred stock units (DSU s) up to a maximum calendar year limit of 375,000 units per individual. Deferred fees plus matching contributions are converted to DSU s based on the closing price of Pier 1 Imports' common stock on the day the fees are payable. The DSU s are credited to an account maintained by Pier 1 Imports for each non-employee director. Each DSU is the economic equivalent of one share of Pier 1 Imports' common stock. Each DSU is eligible to receive dividends payable on Pier 1 Imports' common stock in additional DSU s equal to the dividend per share of common stock divided by the closing price of Pier 1 Imports' common stock on the dividend payable date. Pier 1 Imports did not pay any dividends in fiscal 2012. The DSU s do not have voting rights. The DSU s will be exchanged one-for-one for shares of Pier 1 Imports' common stock on the date the person ceases to be a member of the board of directors and the shares will be transferred to the person within five business days of such date, except that DSU s will be settled in cash to the extent applicable plan limitations at such time preclude issuing Pier 1 Imports' common stock.

During fiscal 2012, each non-employee director was also eligible to participate in the Pier 1 Imports, Inc. Deferred Compensation Plan and the Pier 1 Imports, Inc. Stock Purchase Plan, although none of the non-employee directors chose to participate in either plan in fiscal 2012.

Fiscal 2012 Non-Employee Director Compensation Table

The following table sets forth a summary of the compensation with respect to the fiscal year ended February 25, 2012, for services rendered in all capacities to Pier 1 Imports by its non-employee directors:

Name	Fees Earned or Paid in Cash(1) (\$)	Stock Awards(2) (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension	All Other Compensation(3) (\$)	Total (\$)
					Value and Non- Qualified Deferred Compensation Earnings (\$)		
Claire H. Babrowski	\$ 140,714	\$ 0	\$ 0	\$ 0	\$ 0		\$ 140,714
(elected March 25, 2011)							
John H. Burgoyne	\$ 175,000	\$ 28,125	\$ 0	\$ 0	\$ 0		\$ 203,125
Hamish A. Dodds	\$ 150,000	\$ 18,750	\$ 0	\$ 0	\$ 0		\$ 168,750
Michael R. Ferrari	\$ 228,214	\$ 7,500	\$ 0	\$ 0	\$ 0		\$ 235,714
Brendan L. Hoffman	\$ 150,000	\$ 18,750	\$ 0	\$ 0	\$ 0		\$ 168,750
Terry E. London	\$ 175,000	\$ 8,438	\$ 0	\$ 0	\$ 0		\$ 183,438
Cece Smith	\$ 156,786	\$ 37,500	\$ 0	\$ 0	\$ 0		\$ 194,286

- (1) This column represents the amount of cash compensation earned in fiscal 2012 for board and committee service. As described in footnote 2 below, either 0%, 10%, 20%, 25%, 50%, 75% or 100% of this cash compensation was deferred by each director.
- (2) This column represents the dollar value of Pier 1 Imports' 25% match on director annual cash retainer fees (but not committee chair or chairman annual retainers) deferred by each director. This amount was converted to DSU s as shown in the table below. The dollar amount represents the grant date fair value of such DSU s granted in fiscal 2012 in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 718, Compensation-Stock Compensation (formerly Statement of Financial Accounting Standards No. 123R) (FASB ASC Topic 718). The number of DSU s is calculated using the closing price of Pier 1 Imports' common stock on the last trading day of each fiscal month in which the fees were earned, which price also represents the grant date fair value of the DSU s.

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The following table shows fiscal 2012 DSU s for each non-employee director given his or her deferral percentage and Pier 1 Imports match:

Name	Deferral %	Fiscal Year 2012 Fees Deferred (\$)	DSU s Converted from Deferred Fees (#)	DSU s Converted from 25% Company Match (#)	Dividends Deferred During Fiscal Year 2012 (\$)	DSU s Converted from Deferred Dividends (#)	Aggregate DSU s Owned at Fiscal Year-End 2012 (#)
Claire H. Babrowski	0%	\$ 0	0	0	\$0	0	0
(elected March 25, 2011)							
John H. Burgoyne	75%	\$ 131,250	10,896	2,335	\$0	0	234,617
Hamish A. Dodds	50%	\$ 75,000	6,226	1,557	\$0	0	8,936
Michael R. Ferrari	20%	\$ 45,643	3,791	623	\$0	0	189,516
Brendan L. Hoffman	50%	\$ 75,000	6,226	1,557	\$0	0	8,936
Terry E. London	25%/10%(a)	\$ 39,375	3,362	720	\$0	0	168,609
Cece Smith	100%	\$ 156,786	13,004	3,113	\$0	0	190,056

(a) Effective January 1, 2012, Mr. London elected to defer 10% of his cash fees.

The following table shows the Pier 1 Imports common stock closing price by month used to calculate the number of DSU s to be received for deferred director fees plus any Pier 1 Imports match. This closing price also represents the grant date fair value of each DSU in accordance with FASB ASC Topic 718.

Fiscal Month in which Fees were Earned	Closing Price of Pier 1 Imports Common Stock on Last Trading Day of each Fiscal Month
March 2011	\$ 10.27
April 2011	\$ 12.18
May 2011	\$ 11.88
June 2011	\$ 12.17
July 2011	\$ 10.99
August 2011	\$ 10.43
September 2011	\$ 9.78
October 2011	\$ 12.01
November 2011	\$ 12.07
December 2011	\$ 13.93
January 2012	\$ 16.00
February 2012	\$ 16.44

(3) Perquisites and personal benefits aggregating less than \$10,000 are not shown.

Stock Options Outstanding

Non-employee director stock options outstanding on February 25, 2012 are shown below:

Name	Grant Date	Expiration Date	Exercise Price	Aggregate Number of Outstanding Stock Options (Exercisable)
John H. Burgoyne	06/23/2006	06/23/2016	\$ 7.5500	6,000

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	07/01/2005	07/01/2015	\$ 14.2500	6,000
	06/28/2004	06/28/2014	\$ 17.2500	6,000
	06/27/2003	06/27/2013	\$ 20.3500	6,000
	06/28/2002	06/28/2012	\$ 21.0000	6,000
	Total			30,000
Michael R. Ferrari	06/23/2006	06/23/2016	\$ 7.5500	6,000
	07/01/2005	07/01/2015	\$ 14.2500	6,000
	06/28/2004	06/28/2014	\$ 17.2500	6,000
	06/27/2003	06/27/2013	\$ 20.3500	6,000
	06/28/2002	06/28/2012	\$ 21.0000	6,000
	Total			30,000
Terry E. London	06/23/2006	06/23/2016	\$ 7.5500	6,000
	07/01/2005	07/01/2015	\$ 14.2500	6,000
	06/28/2004	06/28/2014	\$ 17.2500	6,000
	09/25/2003	09/25/2013	\$ 19.4000	5,000
	Total			23,000

Table of Contents**Security Ownership of Management**

The following table indicates the ownership of Pier 1 Imports common stock by each director and nominee, each named executive officer shown below in the table included under the caption Summary Compensation Table for the Fiscal Years Ended February 25, 2012, February 26, 2011 and February 27, 2010, and all directors and executive officers as a group, as of April 27, 2012, unless otherwise indicated below:

Name of Beneficial Owner	Common Shares Beneficially Owned(1)(2)	Percent of Class
Claire H. Babrowski	4,175	*
John H. Burgoyne	276,527	*
Catherine David	97,292	*
Hamish A. Dodds	9,803	*
Michael R. Ferrari	222,901	*
Brendan L. Hoffman	9,803	*
Gregory S. Humenesky	248,806	*
Sharon M. Leite	179,699	*
Terry E. London	191,805	*
Alexander W. Smith	3,555,107	3.19%
Cece Smith	227,881	*
Charles H. Turner	731,140	*
All directors and executive officers as a group (16 individuals)	6,436,886	5.71%

* Represents less than 1% of the outstanding shares of the class.

- (1) The table includes shares that the person has the right to acquire within 60 days of April 27, 2012, upon the exercise of stock options granted pursuant to Pier 1 Imports stock option plans: Mr. Burgoyne (30,000 shares, of which 6,000 shares expire June 28, 2012), Mr. Ferrari (30,000 shares, of which 6,000 shares expire June 28, 2012), Mr. Humenesky (160,000 shares), Ms. Leite (75,000 shares), Mr. London (23,000 shares), Mr. Smith (2,000,000 shares), Mr. Turner (455,000 shares), and to all directors and executive officers as a group (3,111,875 shares).
- (2) The table includes DSU s as of April 27, 2012, for Mr. Burgoyne (236,089 DSU s), Mr. Dodds (9,802 DSU s), Mr. Ferrari (190,001 DSU s), Mr. Hoffman (9,802 DSU s), Mr. London (168,804 DSU s), and Ms. Smith (191,881 DSU s). The DSU s will be exchanged one-for-one for shares of Pier 1 Imports common stock when the director ceases to be a member of the board of directors, as described above under the caption Non-Employee Director Compensation for the Fiscal Year Ended February 25, 2012 Fees Paid to Directors. A DSU is the economic equivalent of one share of Pier 1 Imports common stock.

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The following table indicates the ownership by each person who is known by Pier 1 Imports as of April 27, 2012, to beneficially own more than 5% of Pier 1 Imports' common stock:

Name and Address of Beneficial Owner	Common Shares Beneficially Owned	Percent of Class
Greek Investments, Inc. Harbour House Queen Street Grand Turk Turks and Caicos Islands	12,348,978(1)	11.26%
Systematic Financial Management, L.P. 300 Frank W. Burr Blvd. Glenpointe East, 7 th Floor Teaneck, NJ 07666	8,634,380(2)	7.88%
Columbia Wanger Asset Management, LLC 227 West Monroe Street, Suite 3000 Chicago, IL 60606	7,455,750(3)	6.80%
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	5,644,263(4)	5.15%

- (1) This information was obtained from a Schedule 13G filed with the SEC on February 15, 2012, by Greek Investments, Inc., Jorge Constantino, Panayotis Constantino, Milany Limited, Eleonas Ltd, Nisos Purpose Trust and AMCO PTC as Reporting Persons for the shares listed. The filing indicates that each of the Reporting Persons, other than Greek Investments and Milany, disclaim beneficial ownership of the shares reported as beneficially owned by any such Reporting Person, and the filing of the Schedule 13G shall not be construed as an admission that any such person is the beneficial owner of any such securities.
- (2) This information was obtained from a Schedule 13G filed with the SEC on February 15, 2012, by Systematic Financial Management, L.P. as beneficial owner of the shares listed. The filing indicates that the beneficial owner has sole voting power over 5,122,395 of the shares listed and sole dispositive power over all of the shares listed.
- (3) This information was obtained from a Schedule 13G/A filed with the SEC on February 13, 2012, by Columbia Wanger Asset Management, LLC as beneficial owner of the shares listed. The filing indicates that the beneficial owner has sole voting power over 6,962,250 of the shares listed and sole dispositive power over all of the shares listed. The shares listed include shares held by Columbia Acorn Trust, a Massachusetts business trust that is advised by Columbia Wanger Asset Management, LLC. Columbia Acorn Trust holds 5.8% of the shares of Pier 1 Imports' common stock.
- (4) This information was obtained from a Schedule 13G filed with the SEC on February 9, 2012, by The Vanguard Group, Inc. as beneficial owner of the shares listed. The filing indicates that the beneficial owner has sole voting power over 152,332 of the shares listed, sole dispositive power over 5,491,931 of the shares listed and shared dispositive power over 152,332 of the shares listed. The shares listed include shares held by Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., who is the beneficial owner of 152,332 shares or 0.14% of the Common Stock outstanding of the Company as a result of its serving as investment manager of collective trust accounts.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act) requires Pier 1 Imports directors and executive officers, and persons who own more than 10% of a registered class of Pier 1 Imports equity securities, to file with the SEC and the NYSE reports disclosing their ownership and changes in ownership of Pier 1 Imports common stock or other equity securities. Pier 1 Imports executive officers, directors and greater than 10% shareholders are required by SEC regulations to furnish Pier 1 Imports with copies of all Section 16(a) forms they file. To Pier 1 Imports knowledge, and based solely on a review of the furnished Section 16(a) forms, all Section 16(a) filing requirements applicable to Pier 1 Imports executive officers, directors and greater than 10% beneficial owners during the last fiscal year were observed.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION; CERTAIN RELATED PERSON TRANSACTIONS

Compensation Committee Interlocks and Insider Participation

Each director of Pier 1 Imports who served as a member of the compensation committee during the fiscal year ended February 25, 2012, is identified above under the caption Directors Attendance at Board and Committee Meetings and at the Annual Meeting of Shareholders. During fiscal 2012, there were no compensation committee interlocks or insider participation.

Related Person Transaction Policies and Procedures

Pier 1 Imports board of directors has adopted as part of its Code of Business Conduct and Ethics a written Related Person Transaction Policies and Procedures which is administered by the nominating and corporate governance committee. Pier 1 Imports Code of Business Conduct and Ethics is available on its web site at www.pier1.com under the heading Investor Relations Corporate Governance. The policy applies to any transaction or series of transactions in which Pier 1 Imports is a participant, the amount involved exceeds \$120,000 annually, and a related person has a direct or indirect material interest. The policy defines a related person as any (a) person who is or was (since the beginning of the last fiscal year for which Pier 1 Imports has filed a Form 10-K and proxy statement, even if they do not presently serve in that role) an executive officer, director or nominee for election as director, (b) greater than 5% beneficial owner of Pier 1 Imports common stock, or (c) immediate family member of any of the foregoing.

Transactions that fall within the policy (interested transactions) will be reviewed by the committee for approval, ratification or other action. Based on its consideration of all of the relevant facts and circumstances, the committee will decide whether or not to approve the interested transaction and will approve only those transactions that are believed to be in the best interest of Pier 1 Imports.

The policy provides that certain interested transactions are deemed to be pre-approved, even if the aggregate amount involved will exceed \$120,000. Those interested transactions are: (a) employment of executive officers, (b) director compensation, (c) certain transactions with other companies if the aggregate amount involved does not exceed the greater of \$1,000,000 or 2% of the other company s total annual revenues, (d) certain charitable contributions by Pier 1 Imports if the aggregate amount involved does not exceed the lesser of \$10,000 or 2% of the organization s total annual receipts, (e) transactions where all shareholders receive proportional benefits (e.g., dividends), (f) transactions involving competitive bids, (g) regulated transactions, and (h) certain banking-related services. In addition, the policy delegates to the chair of the nominating and corporate governance committee the authority to pre-approve or ratify any interested transaction in which the aggregate amount involved is expected to be less than \$250,000. During fiscal 2012, the chair of the nominating and corporate governance committee did not pre-approve or ratify any transactions.

Transactions with Related Persons

During fiscal 2012, there were no transactions exceeding \$120,000 in which Pier 1 Imports was a participant, or is to be a participant, and in which any related person had or will have a direct or indirect material interest.

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Pier 1 Imports indemnifies its directors and its executive officers to the fullest extent permitted by law and has also entered into agreements with these individuals contractually obligating Pier 1 Imports to provide this indemnification to them.

ITEMS OF BUSINESS TO BE ACTED UPON AT THE MEETING

PROPOSAL NO. 1 Election of Directors

The shareholders will vote to elect as directors the eight nominees named below at the annual meeting of shareholders. Those elected will serve on the board of directors until the next annual meeting of shareholders and until their successors are elected and qualified. The board of directors, upon the recommendation of the nominating and corporate governance committee, has nominated each person listed below to stand for election. Although Pier 1 Imports does not anticipate that any of the nominees will be unable or unwilling to serve as a director, in the event that is the case, the board of directors may reduce its size or choose a substitute for that nominee.

In order to be elected, a nominee for director must receive the affirmative vote of a majority of the votes cast with respect to such nominee by the shares of common stock present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors. A majority of the votes cast means that the number of votes cast FOR a nominee exceeds the number of votes cast AGAINST the nominee. Abstentions and broker non-votes are not considered as votes cast.

The board of directors unanimously recommends a vote FOR the election of each of the following nominees as a director.

Nominees for Directors

As reflected in the section above captioned Matters Relating to Corporate Governance, Board Structure, Director Compensation and Stock Ownership, the primary qualities and characteristics nominees to the board of directors should possess are management and leadership experience; knowledge relevant to the business of Pier 1 Imports; diversity of background and experience; and personal and professional ethics, integrity and professionalism. All eight of the nominees possess these attributes. The specific experiences, qualifications, attributes and skills of each individual which led to her or his nomination are included in the individual discussions below.

CLAIRE H. BABROWSKI

Ms. Babrowski, age 54, is being nominated for her second consecutive term on the board of directors. During fiscal 2012, Ms. Babrowski served as a member of the nominating and corporate governance committee. Ms. Babrowski brings to the board experience in key leadership roles in leading global and domestic multi-unit companies. She possesses significant experience in operations, finance, international and general management and global exposure. Ms. Babrowski most recently served as executive vice president, chief operating officer of Toys R Us, Inc. from 2007 to 2010. She started her career spending 30 years at McDonald's Corporation, where her last position was senior executive vice president and chief restaurant operations officer. From 2005 to 2006, Ms. Babrowski worked for RadioShack Corporation serving as executive vice president and chief operating officer, and then president, chief operating officer and acting chief executive officer. In 1998, she received the Emerging Leader Award from the U.S. Women's Service Forum. Ms. Babrowski currently serves as a director and audit committee member of Delhaize Group, a Belgian company whose American Depositary Receipts are traded on the NYSE and whose ordinary shares are traded on the NYSE Euronext in Brussels. Ms. Babrowski also currently serves as a member of the board of managers of QCE Finance LLC, which is the ultimate parent company of Quiznos®, and is the chair of the operations and development committee and serves on the marketing committee. Ms. Babrowski previously served as a director of Chipotle Mexican Grill, Inc.

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JOHN H. BURGOYNE

Mr. Burgoyne, age 70, is being nominated to his thirteenth consecutive term on the board of directors. During fiscal 2012, Mr. Burgoyne served as the chairman of the compensation committee and as a member of the executive committee. He brings to the board executive-level management and leadership skills along with extensive knowledge and experience in international business operations, specifically in the areas of China and the Pacific Regions of Asia. Prior to his retirement in 2007, Mr. Burgoyne's career included serving as president of an international consulting firm, Burgoyne & Associates; and serving as the general manager of IBM's Travel Industry Sector for the Asia Pacific Region; and serving as President and General Manager of IBM China Corp. In addition, Mr. Burgoyne serves his community in numerous volunteer leadership capacities. Mr. Burgoyne serves as the volunteer assistant fire chief for the Greenwood community in Parker County, Texas, and on the certification board of the State Firemen's & Fire Marshals' Association of Texas, where, in both capacities, he has achieved recognized public safety and governmental experience on a local, state and national level. He also serves as the Guiyang, China Chair on the executive committee of Fort Worth Sister Cities International.

HAMISH A. DODDS

Mr. Dodds, age 55, is being nominated for his second consecutive term on the board of directors. During fiscal 2012, Mr. Dodds served as a member of the audit committee. Mr. Dodds brings to the board over thirty years of executive experience in the shipping, retail, consumer goods and hospitality industries and has lived and worked in Europe, the Middle East, Africa, South America and the United States, gaining extensive international experience in finance, franchising, joint ventures and brand management. As president and chief executive officer for Hard Rock International since 2004, Mr. Dodds oversees the strategic development and operations of restaurants, hotels, casinos and live music venues across 52 countries. Previously, Mr. Dodds has served as a board member and compensation committee member and chief executive officer for CabCorp, as division president for PepsiCo Beverages covering South America, Central America and the Caribbean, and in a variety of general management and financial positions for PepsiCo, The Burton Group in the United Kingdom, and Overseas Containers, Ltd. Mr. Dodds is a fellow member of the Institute of Chartered Management Accountants.

MICHAEL R. FERRARI

Dr. Ferrari, age 72, is being nominated for his thirteenth consecutive term on the board of directors. During fiscal 2012, Dr. Ferrari served as the non-executive chairman of the board, chairman of the executive committee and nominating and corporate governance committee, and as a member of the audit and compensation committees. An accomplished author and respected scholar, Dr. Ferrari holds a masters degree in sociology and a doctorate degree in business administration from Michigan State University. Having served on numerous community and corporate boards and in leadership and executive capacities in both the college and corporate arenas, Dr. Ferrari brings extensive budget management, strategic planning and integrated marketing experience to the board. As President of Ferrari & Associates LLC, his current consulting practice focuses on many critical business and organizational areas, including executive search, executive coaching, board governance and dispute resolution. Dr. Ferrari has been named Chancellor Emeritus of Texas Christian University, where he previously served as Chancellor of the University and professor of management in the M.J. Neeley School of Business. Additionally, Dr. Ferrari previously served as President and professor of management at Drake University.

BRENDAN L. HOFFMAN

Mr. Hoffman, age 43, is being nominated for his second consecutive term on the board of directors. During fiscal 2012, Mr. Hoffman served as a member of the compensation committee. Mr. Hoffman serves as president and chief executive officer of The Bon-Ton Stores, Inc. He brings to the board a broad retail background including experience in direct marketing, fulfillment and e-commerce operations. From October 2008 to February 2012, Mr. Hoffman served as president and chief executive officer of Lord & Taylor, a division of Hudson's Bay Trading Company. Prior to that, Mr. Hoffman served six years as president and chief executive officer of Neiman Marcus Direct, where he oversaw the growth of neimanmarcus.com and the launch and growth of bergdorfgoodman.com. Mr. Hoffman held previous positions as vice president of Last Call Clearance Division at Neiman Marcus Stores;

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divisional merchandise manager of Bergdorf Goodman, Inc., a subsidiary of the Neiman Marcus Group; and divisional merchandise manager of Lord & Taylor, where he began his retail career in the executive training program. Mr. Hoffman serves on the board of trustees of the American Red Cross in Greater New York, the board of directors of the Phoenix House and the advisory board of the Jay H. Baker Retailing Initiative at The Wharton School.

TERRY E. LONDON

Mr. London, age 62, is being nominated for his tenth consecutive term on the board of directors. During fiscal 2012, Mr. London served as the chairman of the audit committee and as a member of the nominating and corporate governance committee. A certified public accountant and president of the London Broadcasting Company, Inc., Mr. London provides the board with significant finance, accounting, media, and public company board knowledge and experience. Mr. London was voted the Broadcaster of the Year in 2011 by the Texas Association of Broadcasters. He also possesses strong leadership skills obtained while serving as an officer in the U.S. Army Reserves. Earlier in his career, Mr. London served as president and chief executive officer, as well as chief financial and administrative officer, of Gaylord Entertainment Company. Mr. London currently serves as a director of Johnson Outdoors, Inc. and TriArtisan Acquisition Corp., and previously served as a director of Bass Pro Shops, Inc. In his role as director on other boards, Mr. London has served as the chairman of the audit committee and member of the compensation committee.

ALEXANDER W. SMITH

Mr. Smith, age 59, has served on the board of directors since joining the Company as president and chief executive officer in February 2007. During fiscal 2012, Mr. Smith served as a member of the executive committee. Mr. Smith has over 30 years of retail and international branding experience. Prior to joining the Company, Mr. Smith served as Group President of the TJX Companies, Inc., where he oversaw the operations and development of Home Goods, Marshalls, and TJ Maxx plus a number of corporate functions. He was instrumental in the development of the TK Maxx stores in Great Britain and ran its international operations. Mr. Smith also has served as a director of Papa John's International, Inc., including service as chairman of its compensation committee and as a member of its audit committee. Mr. Smith's employment agreement provides that, at all times during the employment period, Pier 1 Imports will use its reasonable efforts to cause the board of directors, or an authorized committee thereof, to nominate Mr. Smith for election to the board of directors at each annual meeting of shareholders of Pier 1 Imports held during the employment period, and, if nominated, to cause the board of directors to recommend his election to the shareholders of Pier 1 Imports.

CECE SMITH

Ms. Smith, age 67, is being nominated for her sixth consecutive term on the board of directors. During fiscal 2012, Ms. Smith served as a member and chairman of the nominating and corporate governance committee and as a member of the audit and compensation committees. A certified public accountant, Ms. Smith brings a wealth of retail, finance, and corporate governance knowledge and experience to the board. Prior to her retirement in September 2007, Ms. Smith co-founded Phillips-Smith-Machens Venture Partners, a venture capital firm which invested in retail and consumer businesses. Prior to that, Ms. Smith served as the executive vice president of finance and administration for Pearle Health Services, the world's largest retail optical chain. Ms. Smith currently serves as lead director of Brinker International, Inc. Previously, Ms. Smith has served as a director of numerous public retailers, including Michaels Stores, Inc., Cheap Tickets, Inc., Hot Topic, Inc., and BizMart, Inc. and as a director and chairman of the Federal Reserve Bank of Dallas. In her role as director on other boards, Ms. Smith has served on audit, compensation and nominating and governance committees and has chaired audit and compensation committees.

The board of directors unanimously recommends a vote FOR the election of each of the above-named nominees as a director.

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PROPOSAL NO. 2 To Adopt a Non-binding, Advisory Resolution to Approve the Compensation of Pier 1 Imports Named Executive Officers as Disclosed Pursuant to the Compensation Disclosure Rules of the Securities and Exchange Commission, Including the Compensation Discussion and Analysis, Compensation Tables and Narrative Discussion Below Under the Caption Executive Compensation

General Information

Under rules adopted by the SEC pursuant to Section 14A of the Exchange Act, our shareholders are entitled to vote not less frequently than every three years upon an advisory, non-binding resolution approving the compensation of Pier 1 Imports named executive officers, as disclosed pursuant to the disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative discussion (commonly called the say-on-pay vote). At our annual meeting of shareholders held on June 28, 2011, our shareholders indicated in an advisory vote that they overwhelmingly favored the say-on-pay vote every year. Accordingly, we are including in this proxy statement a non-binding, advisory shareholder vote on our executive compensation as described in this proxy statement. Shareholders are being asked to vote on the following resolution:

RESOLVED, that the compensation of Pier 1 Imports named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

The compensation of our named executive officers, as disclosed by the Compensation Discussion and Analysis, compensation tables and narrative discussion, is shown below under the caption Executive Compensation. As discussed in those disclosures, we believe that our compensation policies, principles, objectives and practices are focused on pay-for-performance and are strongly aligned with the long-term interests of our shareholders. Compensation of our named executive officers is designed to enable us to attract and retain talented and experienced senior executives to lead Pier 1 Imports successfully in a competitive environment.

Your vote on this resolution is advisory, and therefore not binding on Pier 1 Imports, the compensation committee, or the board of directors. The vote will not be construed to create or imply any change to the fiduciary duties of Pier 1 Imports or the board of directors, or to create or imply any additional fiduciary duties for Pier 1 Imports or the board of directors. However, our board of directors values the opinions of our shareholders, and, if the shareholders do not adopt the resolution set forth above, we will consider our shareholders' concerns and the compensation committee will evaluate whether any actions are necessary to address those concerns.

The affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the annual meeting and entitled to vote on this resolution is required to approve this resolution. Abstentions will be counted as represented and entitled to vote on this resolution and will have the effect of a vote AGAINST the resolution. Broker non-votes will not be considered entitled to vote on this resolution and will not be counted in determining the number of shares necessary for approval of the resolution.

The board of directors unanimously recommends a vote FOR the non-binding, advisory resolution to approve the compensation of Pier 1 Imports named executive officers as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and narrative discussion below under the caption Executive Compensation.

PROPOSAL NO. 3 Ratification of the Audit Committee's Engagement of Ernst & Young LLP as Pier 1 Imports Independent Registered Public Accounting Firm for Fiscal 2013

The audit committee has approved engaging Ernst & Young LLP as Pier 1 Imports independent registered public accounting firm for fiscal 2013. Ernst & Young LLP served as Pier 1 Imports independent registered public accounting firm for fiscal 2012 and has served in that capacity since fiscal 1996. Although approval or ratification of such engagement is not required, Pier 1 Imports is seeking the shareholders' ratification of the audit committee's engagement of Ernst & Young LLP because we believe that allowing shareholders to express their view on the matter is good corporate governance. SEC Rule 10A-3(b)2 requires that the audit committee must be directly

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responsible for the appointment of any registered public accounting firm. Since the audit committee must follow this requirement, the ratification is not binding on Pier 1 Imports. Any failure of the shareholders to ratify the audit committee's engagement of Ernst & Young LLP as Pier 1 Imports' independent registered public accounting firm would, however, be considered by the audit committee in engaging Ernst & Young LLP.

The affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the annual meeting and entitled to vote on this proposal is required to ratify the engagement of Ernst & Young LLP as Pier 1 Imports' independent registered public accounting firm for fiscal 2013. Abstentions will be counted as represented and entitled to vote on this proposal and will have the effect of a vote AGAINST the proposal.

The board of directors unanimously recommends a vote FOR the ratification of the audit committee's engagement of Ernst & Young LLP as Pier 1 Imports' independent registered public accounting firm for fiscal 2013.

Relationship with Independent Registered Public Accounting Firm

The audit committee is directly responsible for the appointment, compensation, retention and oversight of Pier 1 Imports' independent registered public accounting firm. As described above, the audit committee has approved the engagement of Ernst & Young LLP as Pier 1 Imports' independent registered public accounting firm for fiscal 2013.

The audit committee engaged Ernst & Young LLP as Pier 1 Imports' independent registered public accounting firm for fiscal 2012 and the shareholders ratified that engagement at the annual meeting of the shareholders held on June 28, 2011. A representative of Ernst & Young LLP is expected to be present at the annual meeting of shareholders and will be given the opportunity to make a statement if he or she so desires and to respond to appropriate questions from shareholders.

Independent Registered Public Accounting Firm Fees

The following table presents fees incurred for professional services rendered by Ernst & Young LLP, Pier 1 Imports' independent registered public accounting firm, for fiscal years ended February 25, 2012 and February 26, 2011.

	February 25, 2012	February 26, 2011
Audit Fees(1)	\$ 901,000	\$ 904,245
Audit Related Fees(2)	\$ 27,500	\$ 20,000
Tax Fees(3)	\$ 101,854	\$ 66,885
All Other Fees(4)	\$ 2,160	\$ 2,160
Total Fees	\$ 1,032,514	\$ 993,290

- (1) Includes fees for services related to the annual audit of the consolidated financial statements, required statutory audits, reviews of Pier 1 Imports' quarterly reports on Form 10-Q, the registered public accounting firm's report on Pier 1 Imports' internal control over financial reporting, as required under Section 404 of the Sarbanes-Oxley Act of 2002, and any registration statements during the respective periods.
- (2) Includes fees for services related to the Pier 1 Imports, Inc. Stock Purchase Plan and consolidated balance sheet audits.
- (3) Includes fees for services related to tax compliance, tax advice and tax planning.
- (4) Includes fees for subscription to online research tool.

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Pre-approval of Nonaudit Fees

The audit committee has adopted a policy that requires advance approval of all audit, audit related, tax and other services performed by the independent registered public accounting firm. The policy provides for pre-approval by the audit committee of specifically defined audit, audit related and tax services. Unless the specific service has been previously pre-approved with respect to a fiscal year, the audit committee must approve the permitted service before the independent registered public accounting firm is engaged to perform it. The audit committee has delegated to the chairman of the audit committee, or any of its other members, authority to approve permitted services up to \$50,000 per engagement provided that any pre-approval decisions are reported to the committee at its next scheduled meeting.

AUDIT COMMITTEE REPORT

Each member of the audit committee is an independent director, pursuant to the independence requirements of the SEC and NYSE. In accordance with the committee's written charter, the committee assists the board of directors in overseeing the quality and integrity of Pier 1 Imports' accounting, auditing and financial reporting practices. In performing its oversight function, the committee reviewed and discussed Pier 1 Imports' audited consolidated financial statements as of and for the fiscal year ended February 25, 2012, with management and Pier 1 Imports' independent registered public accounting firm, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The committee also discussed with Pier 1 Imports' independent registered public accounting firm all matters required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, "Communication with Audit Committees" and, with and without management present, discussed and reviewed the results of the independent registered public accounting firm's examination of the consolidated financial statements.

The committee obtained from the independent registered public accounting firm a formal written statement describing all relationships between the firm and Pier 1 Imports that might affect the firm's independence consistent with applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence. The committee also discussed with the registered public accounting firm any relationships that may have an impact on its objectivity and independence and satisfied ourselves that the registered public accounting firm is independent. The committee also considered whether the provision of non-audit services by Ernst & Young LLP, Pier 1 Imports' independent registered public accounting firm for fiscal 2012, to Pier 1 Imports is compatible with maintaining Ernst & Young LLP's independence.

Based on the above-described review and discussions with management and the independent registered public accounting firm, the committee recommended to the board of directors that Pier 1 Imports' audited consolidated financial statements be included in Pier 1 Imports' Annual Report on Form 10-K for the fiscal year ended February 25, 2012, for filing with the SEC.

AUDIT COMMITTEE

Terry E. London, Chairman

Hamish A. Dodds

Cece Smith

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EXECUTIVE COMPENSATION

Compensation Committee Report

The compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis below. Based on the review and discussion, the compensation committee has recommended to the board of directors that the Compensation Discussion and Analysis be included in Pier 1 Imports' fiscal 2012 proxy statement.

COMPENSATION COMMITTEE

John H. Burgoyne, Chairman

Michael R. Ferrari

Brendan L. Hoffman

Compensation Discussion and Analysis

Pier 1 Imports is a global importer and is one of North America's largest specialty retailers of imported decorative home furnishings and gifts. Pier 1 Imports directly imports merchandise from many countries, and sells a wide variety of decorative accessories, furniture, and seasonal assortments in its stores. Pier 1 Imports conducts business as one operating segment and operates more than 1,000 stores in the United States and Canada under the name Pier 1 Imports.

The purpose of this Compensation Discussion and Analysis disclosure is to provide material information about Pier 1 Imports' compensation policies, principles, objectives and practices for its named executive officers for fiscal 2012 and to put into perspective the tabular disclosures and related narratives that follow it.

Executive Summary

The executive officers' decisions and leadership over the past five years, even throughout the worst recessionary business climate in recent history, positioned Pier 1 Imports to achieve significantly improved and profitable operating performance in fiscal 2012, some highlights of which are detailed below:

delivered a 9.5% annual comparable store sales increase resulting primarily from increases in traffic and average ticket in addition to delivering a 10.9% annual comparable store sales increase in fiscal 2011;

delivered a merchandise margin of 59.8% of sales for fiscal 2012 that surpassed the merchandise margin of 58.6% achieved in fiscal 2011;

delivered annual operating income of \$154.8 million, or 10.1% of sales in fiscal 2012, a 49% improvement over the prior fiscal year;

maintained a strong balance sheet at year-end with \$287.9 million in cash, inventory levels up by 3.4% compared to fiscal 2011 year-end levels and \$9.5 million in long-term debt; and

delivered a total shareholder return of approximately 68% in fiscal 2012.

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During fiscal 2012, Pier 1 Imports initiated a three-year growth plan designed to drive sales and further improve profitability in order to increase shareholder value. Pier 1 Imports' growth plan included achieving sales of \$200 per retail square foot, driving operating margin to at least 10% of sales within three years and operating an online business contributing at least 10% of revenue within five years. The board-approved plan also included investing approximately \$200 million in expanding Pier 1 Imports' store portfolio, making improvements to existing stores and strategic investments in technology and systems, including e-Commerce initiatives. Pier 1 Imports' board of directors also approved a \$100 million initial share repurchase program. During fiscal 2012, Pier 1 Imports achieved the following in connection with the three-year growth plan:

achieved an operating margin of 10.1% of sales in year one of its three-year plan;

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invested capital of \$62.3 million in store development and technology initiatives compared to capital expenditure levels of \$31.0 million in fiscal 2011;

increased sales per retail square foot to \$184 for fiscal 2012, up 9.5% from \$168 per retail square foot for fiscal 2011;

completed its \$100 million initial share repurchase program in September 2011, repurchasing approximately 8% of its common stock outstanding; and

authorized a second \$100 million share repurchase program in October 2011, all of which remained available for repurchase at the end of fiscal 2012.

Compensation Policies, Principles, Objectives and Practices

Pier 1 Imports' proven success and continuation of that success depends, in large part, on our ability to successfully attract, motivate and retain a qualified management team. Sourcing qualified candidates to fill important positions within Pier 1 Imports is challenging given the highly competitive retail environment. Accordingly, Pier 1 Imports' overall compensation philosophy is that our executive compensation program should be structured to attract and retain highly skilled and motivated individuals who will lead Pier 1 Imports to successful performance that is consistent with shareholders' expectations. Pier 1 Imports accomplishes this by creating total compensation packages which are competitive in the retail industry, fair and equitable among the executives, and which provide strong incentives for the long-term success and performance of Pier 1 Imports.

Pier 1 Imports provides both short-term and long-term incentives to our executives for the effective management of major functions, teamwork, and effective expense control. Success on these fronts leads to the overall success of Pier 1 Imports. Pier 1 Imports believes that as an executive's level of responsibility increases, a greater portion of that executive's potential total compensation should come from performance-based plans. Pier 1 Imports also believes that the majority of an executive's compensation should be at-risk and tied to Pier 1 Imports' performance. This aligns management's interests with shareholders' interests as the executive's potential total compensation should only increase when Pier 1 Imports' performance improves.

Pier 1 Imports generally targets total compensation packages for executive officers at the 50th percentile of Pier 1 Imports' peer group when Pier 1 Imports achieves planned financial and operational goals. Pier 1 Imports designs its total compensation packages to provide pay above the 50th percentile of pay compared to its peer group when Pier 1 Imports' results significantly exceed planned financial and operational goals.

At the beginning of fiscal 2012, Pier 1 Imports used a group of peer companies to benchmark base pay, short-term incentive and long-term incentive elements of total executive compensation. The peer group included the following companies which at that time were publicly traded and were direct competitors, retail industry competitors, and/or local area competitors for executive talent:

Bed Bath & Beyond Inc.	J.Crew Group, Inc.	RadioShack Corporation
Charming Shoppes, Inc.	Jo-Ann Stores, Inc.	Ross Stores, Inc.
Dick's Sporting Goods, Inc.	Kirkland's, Inc.	Stein Mart, Inc.
Fossil, Inc.	PetSmart, Inc.	Williams-Sonoma, Inc.

Data for these companies was provided by Pay Governance LLC, the compensation committee's executive compensation consultant.

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While Pier 1 Imports did not in fiscal 2012 use total shareholder return, or TSR, as a performance measure for its short- or long-term incentive plans, the compensation committee, the compensation consultant to the committee and management review Pier 1 Imports performance against many other external financial measures including TSR

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to ensure the measures we use internally translate into similar success with those external measures. We were pleased to see once again the strong alignment with our chosen metric to other external measures, such as TSR. Pier 1 Imports has implemented a third long-term incentive equity award for fiscal 2013 that will use relative TSR rankings against a broadened peer group. This new equity incentive will be in addition to the time-based and performance-based equity incentives Pier 1 Imports used in fiscal 2012 and the overall proportion of target shares will shift from the 50% performance-based shares and 50% time-based shares used during fiscal 2012. For executive officers and senior management that shift will be to 60% performance-based shares and 40% time-based shares in fiscal 2013.

Advisory Vote on Executive Compensation

Pier 1 Imports conducted its first advisory vote on executive compensation last year at its 2011 annual meeting. While this vote was not binding on Pier 1 Imports, our board of directors or our compensation committee, we believe that it is important for our shareholders to have an opportunity to vote on this proposal on an annual basis as a means to express their views regarding our executive compensation philosophy, our compensation policies and programs, and our decisions regarding executive compensation, all as disclosed in our proxy statement. Our board of directors and our compensation committee value the opinions of our shareholders and, to the extent there is any significant vote against the compensation of our named executive officers as disclosed in the proxy statement, we will consider our shareholders' concerns and the compensation committee will evaluate whether any actions are necessary to address those concerns.

At the 2011 annual meeting, 95% of the votes represented at the meeting and entitled to vote on the advisory vote on executive compensation (Proposal No. 3 in last year's proxy statement) approved our named executive officer compensation as disclosed in the proxy statement. The board of directors and compensation committee reviewed these final vote results and determined that, given the significant level of support, no significant changes to our executive compensation policies and decisions were necessary based on the vote results.

We have determined that our shareholders should vote on a say-on-pay proposal each year, consistent with the preference expressed by our shareholders at the 2011 annual meeting.

Executive Compensation Components

In addition to base salary, short-term incentives, and long-term incentives, Pier 1 Imports' compensation program in fiscal 2012 included retirement plans and Mr. Smith's employment agreement, which is discussed separately below under the caption Chief Executive Officer Employment Agreement. The following table (Table 1) explains the intended purposes and specific features of the direct compensation components of Pier 1 Imports' executive compensation program for fiscal 2012:

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Table 1

Compensation Component	Intended Purpose	Specific Features for Pier 1 Imports Executives	Targeted Proportion of Total	
			Direct Compensation CEO	Other NEO s
Base Salary	To provide a fixed amount of compensation that is commensurate with market conditions for similar jobs and to aid in the attraction and retention of key executives.	Pier 1 Imports recognizes individual experience, skill, level of responsibility and performance over time to set base pay levels and generally targets the 50th percentile or at market within the context of the national retail market. Changes to base pay may be made based on individual and company performance, pay in relation to other peers and the external labor market, and increased responsibility.		
Short-Term Incentive	To motivate executives to achieve maximum quarterly and annual financial and operational goals and to reward executives for their contributions when those goals are achieved. Annual short-term incentives are also used to align competitive pay levels on an annual basis.	Depending on the position, base pay is approximately 18.5% - 42% of total target compensation for executive officers and is in alignment with our philosophy of putting the majority of pay at risk based on corporate performance. Provides alignment of our executive team s interests with our short-term corporate operating objectives. These annual objectives are tied to the overall strategic mission and long-term plan. Design allows incentive targets for executive officers to vary by individual after consideration of relevant market and peer group compensation information, individual job responsibilities and other relevant information as appropriate given the needs of the business.		
		Designed to focus management on increasing operating profitability on a year-over-year basis, with no payouts in fiscal 2012 unless Pier 1 Imports achieved higher results when compared to fiscal 2011.		

Annual incentive awards help Pier 1 Imports achieve quarterly financial and operating objectives since a portion of the total annual incentive is tied to quarterly financial and operating results.

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Compensation Component	Intended Purpose	Specific Features for Pier 1 Imports Executives	Targeted Proportion of Total	
			Direct Compensation CEO	Other NEO s
Long-Term Incentives (Performance- & Time -Based)	To motivate, reward and retain our executive team by designing pay packages that return long-term value to Pier 1 Imports and its shareholders. Long-term incentives allow executives to directly share in the success of Pier 1 Imports through equity and/or cash-based programs that directly align with shareholder interests and are both performance-based grants to create value, as well as time-based grants to encourage retention and stability.	<p>Pier 1 Imports designed an all equity plan using 100% restricted shares in fiscal 2012.</p> <p>For fiscal 2012, restricted shares were equally divided between time-based restricted shares vesting over three years and performance-based restricted shares vesting on achievement of profit goal targets over three years.</p> <p>Pier 1 Imports feels strongly that our executive team s interests should be closely aligned to the long-term interests of our shareholders, and providing a substantial portion of total compensation in the form of stock combined with the Pier 1 Imports voluntary stock-ownership guidelines helps align the interests of our executive team with our shareholders. Generally targeting the median of the market for planned performance.</p>		
Total Direct Compensation	The sum total of all elements of the compensation program provided to executive officers.	Provides upside above the 50 th percentile of the market for significant achievement above target performance.		

Base Salary Pier 1 Imports designs base salary to provide a fixed amount of compensation that is commensurate with the market conditions for similar jobs and to aid in the attraction and retention of key executives. The aspects of individual performance that may be considered in the determination of each executive s base salary include the individual s contribution to achieving operating goals, expense control and expense reduction, profitability, and performance as compared to planned results. In addition, the following factors may be considered when assessing the performance of each named executive officer: thought leadership (analysis, judgment, and financial acumen), results leadership (planning and execution), people leadership (influence and execution), and personal leadership (the ability to trust, adapt and learn). Additional information regarding Pier 1 Imports considerations relating to base salary is detailed in Table 1 above.

In fiscal 2012, Pier 1 Imports management, through its human resources compensation group and Pier 1 Imports chief executive officer, recommended to the compensation committee only targeted increases to certain executives and no across the board base salary increases for Pier 1 Imports named executive officers. The compensation committee agreed to support management s recommendation and approved no increases in base salary for the named executive officers.

Short-term Incentives Pier 1 Imports designs short-term incentive cash awards to motivate executives to achieve superior quarterly and annual financial and operational performance for Pier 1 Imports and to reward an executive s contribution towards achieving that financial performance.

During fiscal 2012, Pier 1 Imports short-term incentive plan for its executives used a performance measure of consolidated earnings before interest, taxes, depreciation, and amortization adjusted for certain recurring non-cash items and unusual or non-recurring items. For discussion purposes, we refer to this performance measure as the

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Profit Goal, and it was selected as the appropriate financial measure because it focuses on factors that an individual participant's actions can affect. Pier 1 Imports believes the Profit Goal is a better measure of core operating performance because it eliminates the effects of financing and tax decisions as well as unusual charges and more closely reflects cash being generated by Pier 1 Imports' ongoing core operations. Also, designing the short-term incentive Profit Goal specifically around Pier 1 Imports' financial and operational performance leads to increased profitability over time. Additional information and factors relating to Pier 1 Imports' fiscal 2012 annual short-term incentive program are included in Table 1 above.

These factors were discussed with the compensation committee and, as a result, the compensation committee approved the plan and set quarterly and annual Profit Goal target levels for fiscal 2012. The Profit Goal targets and the actual Pier 1 Imports' results are shown in Table 2 below.

Table 2

Pier 1 Imports Fiscal 2012 Quarterly and Annual Profit Goal		
Short-Term Incentive		
Fiscal Year 2012	Target	Actual Results
1st Quarter	\$ 16,300,000	\$ 27,300,000
2nd Quarter	\$ 24,900,000	\$ 31,200,000
3rd Quarter	\$ 32,000,000	\$ 41,000,000
4th Quarter	\$ 74,800,000	\$ 86,900,000
Annual Target	\$ 148,000,000	\$ 186,500,000

The fiscal 2012 targeted annual Profit Goal of \$148,000,000 represented an approximate 15% increase over the actual results of the annual Profit Goal for fiscal 2011 of \$128,700,000. The fiscal 2012 targeted annual Profit Goal supported our focus on increasing our profitability in fiscal 2012, and no award payout was possible unless we exceeded the actual results of the previous year's Profit Goal.

The Pier 1 Imports' fiscal 2012 short-term incentive program had two primary components, the annual component and the quarterly component. Each named executive officer's fiscal 2012 short-term incentive potential (which was expressed as a percentage of the officer's base salary) was divided equally between the quarterly and annual component. Additional information regarding the named executive officers' fiscal 2012 incentive targets and the quarterly and annual component details are shown in Table 3 below.

Table 3

Named Executive Officer	Fiscal 2012 Short-Term Incentive Potential	Quarterly Incentive Component				Annual Incentive Component		
		Q1	Q2	Q3	Q4	Threshold	Target	Maximum
CEO & CFO	100%	12.5%	12.5%	12.5%	12.5%	10%	100%	400%
Other NEOs	75%	9.375%	9.375%	9.375%	9.375%	5%	50%	200%
		9.375%	9.375%	9.375%	9.375%	3.75%	37.5%	150%

The short-term incentive opportunity for the named executive officers (expressed as a percentage of base salary) was comprised of 2 components, the quarterly incentive component and the annual incentive component.

The quarterly incentive component was based on the achievement of each fiscal quarter's targeted Profit Goal. Each quarter was measured independently on a pass or fail basis and was paid out at either 100% upon successful achievement of the targeted quarterly Profit Goal, or 0% if the goal was not met.

The annual incentive component was based on the achievement of the targeted annual Profit Goal, which is the cumulative total for the quarterly targeted Profit Goals for the fiscal year. The threshold Profit Goal that would result in a 10% payout of the annual component of the short-term incentive target was \$129,000,000. Achieving the target Profit Goal of \$148,000,000 would result in a 100% payout. A maximum payout of 400% would

occur if the annual Profit Goal met or exceeded
\$178,000,000.

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The plan required participants to be employed with Pier 1 Imports at the end of each respective quarter and year-end to receive an incentive cash award, if any, for that performance period. The plan allowed Pier 1 Imports' chief executive officer to reduce the cash award of a participant as a result of individual performance. Pier 1 Imports believes that these target percentage levels were competitive when compared to Pier 1 Imports' peer group as identified at the beginning of the fiscal year.

The actual quarterly Profit Goals shown in Table 2 above resulted in participants earning 100% of their fiscal 2012 quarterly incentive cash awards. The actual annual Profit Goal attained for fiscal 2012 was \$186,500,000 and the short-term incentive plan achieved its desired intent of increasing the operational and financial year-over-year performance of Pier 1 Imports. That actual annual Profit Goal resulted in participants earning the maximum of their annual incentive cash award. When combined, the quarterly and annual incentive cash awards had the effect of each participant's short-term incentive cash award equaling 250% of their respective fiscal 2012 short-term incentive potential.

Long-term Incentives Pier 1 Imports designs its long-term incentive awards to support Pier 1 Imports' overall objectives of long-term company profitability, competitiveness in the retail industry, and retention of executives. Pier 1 Imports' long-term incentive plan for fiscal 2012 was comprised of restricted stock grants that were equally divided between time-based and performance-based shares. Pier 1 Imports believes that restricted stock provides a long-term incentive opportunity that is both competitive in the retail industry and serves as a retention tool.

The restrictions on time-based shares lapse over a 3-year period and vested 33% on April 8, 2012, and will vest 33% on April 8, 2013 and 34% on April 8, 2014 provided that the participant is employed on each such date. A summary of the time-based shares awarded to the named-executive officers in fiscal 2012 is included in Table 4 below.

Table 4

Named Executive Officer	Time-Based Shares (#)	Vesting
		33% on 4/8/2012
Charles H. Turner	17,000	33% on 4/8/2013 34% on 4/8/2014 33% on 4/8/2012
Catherine David	13,750	33% on 4/8/2013 34% on 4/8/2014 33% on 4/8/2012
Gregory S. Humenesky	9,500	33% on 4/8/2013 34% on 4/8/2014 33% on 4/8/2012
Sharon M. Leite	12,000	33% on 4/8/2013 34% on 4/8/2014

The performance-based shares granted in fiscal 2012 vest 33% upon Pier 1 Imports satisfying the targeted Profit Goal established by the compensation committee for fiscal 2012 (the same measure utilized for the annual short-term incentives described above) and will vest 33% and 34% for each of the following two fiscal years, respectively, upon Pier 1 Imports satisfying the targeted Profit Goal established by the compensation committee for those respective fiscal years. Vesting for each fiscal year is also conditioned upon the named executive officer being employed on the date of filing of Pier 1 Imports' annual report on Form 10-K with the SEC for the applicable fiscal year.

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With respect to the number of performance-based shares that vest based on satisfying the targeted Profit Goal for a given fiscal year, vesting will occur pursuant to the following schedule (with interpolation between the levels):

100% of the Profit Goal target	100% of the shares;
96% of the Profit Goal target	90% of the shares;
92% of the Profit Goal target	80% of the shares;
88% of the Profit Goal target	70% of the shares;
84% of the Profit Goal target	60% of the shares; and
80% of the Profit Goal target	50% of the shares.

Over each three-year performance (vesting) period, if the targeted Profit Goal is not satisfied in any fiscal year, those performance-based shares that do not vest may still vest if the sum of consecutive years Profit Goals equals or exceeds the sum of the individual consecutive fiscal years Profit Goal targets.

The long-term restricted stock award potential of a named executive officer was generally targeted between 55% - 70%, depending on the officer, of his or her fiscal 2012 annual base salary if the cumulative three-year Profit Goal target was reached. A summary of the long-term incentive performance-based restricted stock awards granted to the named executive officers in fiscal 2012 is included in Table 5 below.

Table 5

Named Executive Officer	Performance-Based Shares Granted (#)	Fiscal Year Performance Period	Performance-Based Shares Vesting (#)
		FY 2012	5,610
Charles H. Turner	17,000	FY 2013	5,610
		FY 2014	5,780
		FY 2012	4,537
Catherine David	13,750	FY 2013	4,537
		FY 2014	4,676
Gregory S. Humenesky	9,500	FY 2012	3,135
		FY 2013	3,135
		FY 2013	3,230

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			FY 2014	
			FY 2012	3,960
				3,960
Sharon M. Leite	12,000		FY 2013	4,080
			FY 2014	

The Profit Goal for fiscal 2012 of \$148,000,000 was exceeded as shown in Table 2 above and 33% of the performance-based shares vested upon the date of filing of Pier 1 Imports' annual report on Form 10-K.

Pier 1 Imports' chief executive officer, Mr. Smith, did not participate in the fiscal 2012 long-term incentive equity award given his grants of restricted stock pursuant to his renewed and extended employment agreement described below.

Retirement and Other Plans Pier 1 Imports offers a supplemental retirement plan which is designed to provide certain executives with post-employment financial security and to mitigate the effects of deferral limitations on highly compensated individuals in qualified plans such as Pier 1 Imports' 401(k) plan. The plan also assists Pier 1 Imports in attracting and retaining executives. The plan is described and discussed below under the caption Pension Benefits Table for the Fiscal Year Ended February 25, 2012.

In addition, Pier 1 Imports offered a non-qualified deferred compensation plan known as the Pier 1 Imports, Inc. Deferred Compensation Plan to its executives and key members of management. This plan is designed to provide post-employment financial security and to mitigate the effects of deferral limitations on highly compensated

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individuals in qualified plans such as Pier 1 Imports' 401(k) plan. The plan also assists Pier 1 Imports in attracting and retaining executives and key members of management. The plan is described and discussed below under the caption "Non-Qualified Deferred Compensation Table for the Fiscal Year Ended February 25, 2012."

Chief Executive Officer Employment Agreement Mr. Smith and Pier 1 Imports have entered into an employment agreement for Mr. Smith's employment as Pier 1 Imports' president and chief executive officer. Pier 1 Imports utilizes an employment agreement to create continuity of Mr. Smith's services and to mitigate Mr. Smith's risk of involuntary termination (other than for cause) or Mr. Smith's voluntary termination based on a good reason, both events as defined in the agreement.

On December 15, 2009, Mr. Smith and Pier 1 Imports entered into a renewal and extension of the employment agreement that expired on February 27, 2010. The renewal and extension was effective February 28, 2010, the first day of fiscal 2011. The term of the employment agreement is for three fiscal years ending on March 2, 2013, and is renewable one fiscal year at a time beginning on March 3, 2013, unless Pier 1 Imports or Mr. Smith gives notice of non-renewal at least 60 days prior to that date.

Pursuant to the renewal and extension, Mr. Smith's base salary is \$1,050,000 per year, which amount may be adjusted from time-to-time by the compensation committee. He also is eligible to participate in Pier 1 Imports' short-term and long-term incentive cash awards during the renewal term.

Also, pursuant to the renewal and extension, Mr. Smith received a grant of 375,000 shares of time-based restricted stock on December 18, 2009, under the Pier 1 Imports, Inc. 2006 Stock Incentive Plan. One-third of such shares vested on December 18, 2010, one-third of such shares vested on December 18, 2011, and the remaining one-third of such shares will vest on December 18, 2012, provided Mr. Smith is employed on such date.

Also, pursuant to the renewal and extension, grants of 375,000 shares of restricted stock were made to Mr. Smith on February 28, 2010, February 27, 2011 and February 26, 2012. These restricted stock grants vest as follows: (i) one-half of the 375,000 shares of restricted stock are time-based and vest 62,500 shares per year on the last day of the fiscal year in which the grant was made and on the last day of the following two fiscal years, provided Mr. Smith is employed on the last day of each such fiscal year; and (ii) the other one-half of the 375,000 shares of restricted stock are performance-based and vest 62,500 shares upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for the fiscal year in which the grant was made and 62,500 shares in each of the following two fiscal years upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for the respective fiscal year (each Profit Goal achievement to be determined upon the filing of Pier 1 Imports' annual report on Form 10-K for the applicable fiscal year) and provided that for each fiscal year Mr. Smith is employed on the last day of each such fiscal year. If the targeted Profit Goal for a particular fiscal year is partially met, then the number of shares that could vest is adjusted as follows (with interpolation between the target levels):

100% of the Profit Goal target	62,500 shares (100%);
96% of the Profit Goal target	56,250 shares (90%);
92% of the Profit Goal target	50,000 shares (80%);
88% of the Profit Goal target	43,750 shares (70%);
84% of the Profit Goal target	37,500 shares (60%); and
80% of the Profit Goal target	31,250 shares (50%).

Over each three-year performance (vesting) period, if the targeted Profit Goal is not satisfied in any fiscal year, those performance-based shares that do not vest may still vest if the sum of consecutive years' Profit Goals equals or exceeds the sum of the individual consecutive fiscal year Profit Goal targets.

The Profit Goal target for fiscal 2012 was achieved and 62,500 of the fiscal 2011 (February 28, 2010 grant date) and 62,500 of the fiscal 2012 (February 27, 2011 grant date) performance-based shares vested.

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The renewal and extension continues the following terms from Mr. Smith's original employment agreement:

Non-solicitation and non-competition agreements binding Mr. Smith for one year following termination of employment; and

In the event that the total payments and benefits received by Mr. Smith or to be received by Mr. Smith in connection with a change in control of Pier 1 Imports or in connection with Mr. Smith's termination of employment in respect of such a change in control, whether pursuant to the terms of his employment agreement or any other plan, arrangement or agreement with Pier 1 Imports ("Total Payments"), would be subject to the excise tax imposed under Section 4999 of the Internal Revenue Code, Pier 1 Imports is obligated to pay to Mr. Smith an additional amount (the "Gross-Up Payment") such that after payment by Mr. Smith of all taxes (including any excise tax) imposed upon the Gross-Up Payment and any interest or penalties imposed with respect to such taxes, Mr. Smith retains from the Gross-Up Payment an amount equal to the excise tax imposed upon the Total Payments. The Total Payments subject to the excise tax will be any payments that are "excess parachute payments," within the meaning of Section 280G(b)(1) of the Internal Revenue Code.

Consistent with Mr. Smith's original employment agreement, Mr. Smith's renewed and extended employment agreement specifically excludes a change in control of Pier 1 Imports as grounds for either Pier 1 Imports or Mr. Smith to terminate the agreement, and a change in control of Pier 1 Imports does not constitute a "Good Reason" under the agreement. However, under the Pier 1 Imports, Inc. Supplemental Retirement Plan, as discussed in footnote #1 to the table included under the caption "Potential Payments upon Termination or Change in Control" below, Mr. Smith (similar to certain other participants) would be entitled to receive the present value of the lump-sum amount of the actuarial equivalent of his benefit assuming that Mr. Smith is involuntarily terminated other than for cause, or leaves the employment of Pier 1 Imports for good reason (as defined in the plan), within 24 months of a change in control (as defined in the plan) of Pier 1 Imports.

Subsequent to the renewal and extension of Mr. Smith's employment agreement as discussed above, Pier 1 Imports on June 18, 2010, based on a review of executive compensation practices, determined that it will not enter into any new employment agreement with an executive officer, or after that date materially amend Mr. Smith's existing employment agreement, to provide for gross-up payments designed to offset the impact of the excise tax imposed by Section 4999 of the Internal Revenue Code on payments contingent upon a change in control of Pier 1 Imports.

Under Mr. Smith's renewed and extended employment agreement, should Mr. Smith's employment be terminated by Pier 1 Imports without Cause or by Mr. Smith with Good Reason (as such terms are defined in the agreement), then any and all of Mr. Smith's outstanding restricted stock that has been granted and has not vested will vest. In addition, Mr. Smith will be paid the greater of (1) his compensation and benefits through the end of the employment agreement term; plus an amount equal to the higher of (i) the last annual cash bonus paid to Mr. Smith or (ii) the average of the last three annual cash bonuses paid to Mr. Smith; plus any and all long-term incentive cash award bonuses which have been earned but not paid because the entire performance period has not ended, or (2) a severance amount equal to one full year of Mr. Smith's then-existing base salary, and any and all long-term incentive cash award bonuses which have been earned but not paid because the entire performance period has not ended. Upon a non-renewal of the employment agreement by Pier 1 Imports, Mr. Smith will be paid the amount stated in (2) above, and any and all of Mr. Smith's outstanding restricted stock that has been granted and has not vested will vest.

Compensation Determinations and Role of Executive Officers

Fiscal year base pay, short-term incentive and long-term incentive compensation recommendations for the named executive officers were presented to the compensation committee at their meetings in January, February and March of 2011. The presentations included recommendations of Pier 1 Imports' chief executive officer and human resources compensation group on those elements of compensation, plus recommended plan design changes, and a summary of all short- and long-term incentive awards to eligible levels of management. From time to time, these

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types of presentations may include survey data from a peer group of retail companies for the compensation committee's consideration. That data may include studies and recommendations from independent outside consultants. Generally, the compensation committee approves the fiscal year compensation in March (which is the first month of the fiscal year) of each year with an effective date in April. Implementation of short- and long-term incentive compensation for the year occurs after compensation committee and board approval.

Pier 1 Imports Policy on Share Ownership

The Pier 1 Imports board of directors has adopted voluntary stock ownership guidelines for its non-employee directors. These guidelines state that the board of directors believes that each non-employee director should acquire ownership of 50,000 or more shares of Pier 1 Imports common stock within five years of becoming a director. Shares counted toward ownership include shares beneficially owned directly or indirectly (other than shares which might be acquired by exercise of an option, or unvested restricted stock) and DSUs credited to the non-employee director.

Also, the Pier 1 Imports board of directors has adopted voluntary stock ownership guidelines for officers of Pier 1 Imports and its subsidiaries. These guidelines state that the following level of shares of Pier 1 Imports common stock should be acquired within five years of March 1, 2010, or election as an officer of Pier 1 Imports or any of its subsidiaries if such election is later than March 1, 2010:

Chief Executive Officer	500,000 shares
Executive Vice President	100,000 shares
Senior Vice President	75,000 shares
Vice President	30,000 shares

Shares counted toward ownership include shares beneficially owned directly or indirectly (other than shares which might be acquired by exercise of an option, or unvested restricted stock), and any deferred stock units.

Pier 1 Imports has a written insider trading policy that, among other things, prohibits directors, officers and employees from selling short a Pier 1 Imports security, from trading in options on a Pier 1 Imports security, including calls and puts, or from engaging in forms of hedging or monetization transactions, such as equity swaps, exchange funds, collars or variable forwards, with respect to a Pier 1 Imports security.

Pier 1 Imports Policy on Section 162(m)

Pier 1 Imports considers the effect of limitations on deductibility of compensation for federal income tax purposes. Section 162(m) of the Internal Revenue Code generally denies public companies like Pier 1 Imports a federal income tax deduction for compensation paid to the chief executive officer or any of the three other most highly compensated officers (not including the principal financial officer) that exceeds \$1,000,000 for each such officer during the tax year. Qualifying performance-based compensation paid pursuant to plans approved by shareholders is not subject to this deduction limitation. Pier 1 Imports attempts to preserve the federal tax deductibility of compensation to the extent reasonably practicable when doing so is consistent with the executive compensation objectives and goals mentioned above. While Pier 1 Imports is aware of and understands the requirements of Section 162(m), it does not believe that compensation decisions should be based solely upon the amount of compensation that is deductible for federal income tax purposes. Pier 1 Imports may approve elements of compensation for certain officers that are not fully deductible by Pier 1 Imports. For fiscal 2012, the only officer who received compensation that was not fully deductible was Mr. Smith.

Compensation Risk

Although the majority of potential maximum compensation to our executive officers is performance-based, we do not believe that Pier 1 Imports compensation policies, principles, objectives and practices are structured to promote inappropriate risk taking by our executives. We believe that the focus of Pier 1 Imports overall compensation program encourages management to take a balanced approach that focuses on increasing and sustaining Pier 1 Imports profitability.

Table of Contents**Summary Compensation Table for the Fiscal Years Ended February 25, 2012, February 26, 2011 and February 27, 2010**

The following table sets forth a summary of the compensation in the past three fiscal years for services rendered in all capacities to Pier 1 Imports and its subsidiaries by the chief executive officer, chief financial officer and the three other most highly compensated executive officers.

Name & Principal Position	Fiscal Year	Salary(3) (\$)	Bonus (\$)	Stock Awards(4) (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation(5) (\$)	Change in Pension Value and Non-Qualified Deferred Compensation	All Other Compensation(7) (\$)	Total (\$)
							Earnings(6) (\$)		
Alexander W. Smith	2012	\$ 1,050,000	\$ 0	\$ 1,226,250	N/A	\$ 2,625,000	\$3,442,284	\$ 135,631	\$ 8,479,165
President and Chief Executive Officer	2011	\$ 1,050,000	\$ 248,719	\$ 406,250	N/A	\$ 2,100,000	\$2,597,628	\$ 62,172	\$ 6,464,769
	2010	\$ 1,050,000	\$ 42,525	\$ 4,359,375(1)	\$ 328,800	\$ 1,417,500	\$ 764,759	\$ 38,966	\$ 8,001,925
Charles H. Turner									
Executive Vice President and Chief Financial Officer	2012	\$ 460,000	\$ 0	\$ 337,032	N/A	\$ 947,500	\$ 575,464	\$ 58,003	\$ 2,377,999
	2011	\$ 460,000	\$ 81,722	\$ 431,309	N/A	\$ 775,000	\$ 942,011	\$ 22,864	\$ 2,712,906
	2010	\$ 460,000	\$ 14,490	N/A	N/A	\$ 568,000	\$ 347,281	\$ 6,112	\$ 1,395,883
Catherine David(2)									
Executive Vice President, Merchandising	2012	\$ 400,000	\$ 0	\$ 268,023	N/A	\$ 808,333	\$ 0	\$ 214,509	\$ 1,690,865
	2011	\$ 400,000	\$ 71,063	\$ 206,842	N/A	\$ 657,583	\$ 66	\$ 100,361	\$ 1,435,915
Gregory S. Humenesky	2012	\$ 330,000	\$ 0	\$ 185,389	N/A	\$ 673,750	\$ 475,727	\$ 35,232	\$ 1,700,098
Executive Vice President, Human Resources	2011	\$ 330,000	\$ 58,627	\$ 143,640	N/A	\$ 550,000	\$ 262,117	\$ 12,932	\$ 1,357,316
	2010	\$ 330,000	\$ 10,395	N/A	N/A	\$ 401,500	\$ 104,083	\$ 7,350	\$ 853,328
Sharon M. Leite	2012	\$ 350,000	\$ 0	\$ 233,239	N/A	\$ 709,609	\$ 0	\$ 17,394	\$ 1,310,242
Executive Vice President, Stores	2011	\$ 346,923	\$ 61,588	\$ 178,114	N/A	\$ 575,000	\$ 26	\$ 13,486	\$ 1,175,137
	2010	\$ 330,000	\$ 10,395	N/A	N/A	\$ 398,613	\$ 0	\$ 86,985	\$ 825,993

(1) Pursuant to the renewal and extension of Mr. Smith's employment agreement on December 15, 2009, he received a grant of 375,000 shares of time-based restricted stock on December 18, 2009. Additional grants of 375,000 shares of restricted stock were made to Mr. Smith on February 28, 2010, February 27, 2011, and February 26, 2012. Vesting of one-half of the February 28, 2010, February 27, 2011, and February 26, 2012, share grants is time-based and vesting of the other half is performance-based. Accounting rules pertaining to grants of

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restricted stock required Pier 1 Imports to start expensing all 937,500 shares of the time-based restricted stock granted to Mr. Smith on December 15, 2009, which is the date on which the renewed and extended employment agreement was entered and also the service inception date. On December 15, 2009, each of the 937,500 shares was valued at \$4.65 (the closing price of Pier 1 Imports common stock on December 15, 2009) and the total aggregate grant date fair value of the shares was included in the Summary Compensation Table for fiscal 2010. The total value included in the Summary Compensation Table reflects Pier 1 Imports accounting expense for these awards, and does not necessarily correspond to the actual value that will be recognized by Mr. Smith. The time-based awards vest over a total period of more than five years.

As of the last day of fiscal 2012, 750,000 of the shares subject to time-based vesting had been granted to Mr. Smith; however, Pier 1 Imports granted the remaining 187,500 shares subject to time-based vesting (in addition to the 187,500 shares subject to performance-based vesting) on the first day of fiscal 2013 in accordance with his employment agreement.

- (2) Ms. David's employment began in fiscal 2010 and she was not a named executive officer in fiscal 2010.
- (3) This column represents the amount of base salary paid to the named executive officer during each fiscal year.
- (4) This column represents the grant date fair value of time-based and performance-based restricted stock awards granted during the fiscal year. These amounts reflect Pier 1 Imports accounting expense for these awards in accordance with accounting rules, and do not necessarily correspond to the actual value that will be recognized by the named executive officer. For restricted stock awards, fair value is calculated using the closing price of

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Pier 1 Imports common stock on the date of grant. If the date of grant occurs on a day when Pier 1 Imports common stock is not traded, then the closing price on the last trading day before the date of grant is used. The closing price on the date of grant for fiscal 2012 grants was \$9.81 for Mr. Smith and \$9.81 and \$11.47 for the other named executive officers. The amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For performance-based awards, the grant date fair value is based on the probable outcome of Pier 1 Imports achieving performance targets. The amounts in the table assume targets are met and the maximum number of shares awarded will vest.

- (5) This column includes the short-term incentive cash award amounts earned during the fiscal year for each named executive officer. This column also includes the amounts earned during the fiscal year by each eligible named executive officer under the long-term incentive cash award granted in fiscal 2010. The amounts earned during the fiscal year under the fiscal 2010 long-term incentive cash award are \$85,000 for Mr. Turner, \$58,333 for Ms. David, \$55,000 for Mr. Humenesky, and \$55,000 for Ms. Leite.
- (6) This column represents the sum of the change in pension value and above market earnings on non-qualified deferred compensation earnings for each of the named executive officers. Neither Ms. Leite nor Ms. David is a participant in a Pier 1 Imports defined benefit plan. The change in pension values were:

Name	Fiscal 2012	Fiscal 2011	Fiscal 2010
Alexander W. Smith	\$ 3,442,284	\$ 2,597,109	\$ 764,755
Charles H. Turner	\$ 575,464	\$ 941,355	\$ 346,637
Gregory S. Humenesky	\$ 475,727	\$ 261,666	\$ 103,615

See Pension Benefits Table for the Fiscal Year Ended February 25, 2012 below for additional information.

The above-market earnings on the non-qualified deferred compensation plan in which the below named executive officers participated were:

Name	Fiscal 2012	Fiscal 2011	Fiscal 2010
Alexander W. Smith	\$ 0	\$ 519	\$ 4
Charles H. Turner	\$ 0	\$ 656	\$ 644
Catherine David	\$ 0	\$ 66	N/A
Gregory S. Humenesky	\$ 0	\$ 451	\$ 468
Sharon M. Leite	\$ 0	\$ 26	\$ 0

Above-market earnings represent the difference between 120% of the long-term applicable federal rate at the time the rate for the plan was selected and the annual interest credited in calendar years 2012, 2011, 2010 and 2009 of 5.81%, 5.99%, 7.47% and 7.39%, respectively, by Pier 1 Imports on salary deferred by the named executive officers plus Pier 1 Imports match amounts under the Pier 1 Benefit Restoration Plan II described below under the caption Non-Qualified Deferred Compensation Table for the Fiscal Year Ended February 25, 2012. Additional information about this plan and the indicated named executive officer's participation is shown in that table.

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(7) The following table describes each component of All Other Compensation for fiscal 2012:

Fiscal 2012 All Other Compensation

Name	Tax Gross-ups(a)	Payments Relating to Employee Savings Plans(b)	Moving and Relocation Expenses(c)	Other Expenses(d)	Total All Other Compensation
Alexander W. Smith	\$ 0	\$ 135,631	\$ 0		\$ 135,631
Charles H. Turner	\$ 0	\$ 58,003	\$ 0		\$ 58,003
Catherine David	\$ 46,282	\$ 39,001	\$ 129,226		\$ 214,509
Gregory S. Humenesky	\$ 0	\$ 35,232	\$ 0		\$ 35,232
Sharon M. Leite	\$ 0	\$ 17,394	\$ 0		\$ 17,394

(a) All eligible employees of Pier 1 Imports are entitled, pursuant to our relocation policy, to have their wages grossed-up to offset the effects of tax liability associated with non-deductible relocation and moving expenses reimbursed to the employee. This column reports an amount of gross-up for taxes paid to Ms. David pursuant to this policy for taxable reimbursements to Ms. David for non-deductible moving and relocation expenses from her residence in Franklin, Tennessee to Fort Worth, Texas, and for non-deductible travel expenses paid by Pier 1 Imports for her travel between Franklin, Tennessee and Fort Worth, Texas during her period of relocation.

(b) This column reports Pier 1 Imports' aggregate matching contributions to the named executive officer's 401(k) savings account, Benefit Restoration Plan II account, Deferred Compensation Plan account and Stock Purchase Plan account.

Those contributions were as follows:

Name	401(k)	BRP II	DCP	SPP	Total
Alexander W. Smith	\$ 7,350	\$ 0	\$ 43,313	\$ 84,968	\$ 135,631
Charles H. Turner	\$ 7,350	\$ 5,175	\$ 5,894	\$ 39,584	\$ 58,003
Catherine David	\$ 7,350	\$ 12,276	\$ 15,375	\$ 4,000	\$ 39,001
Gregory S. Humenesky	\$ 7,160	\$ 11,138	\$ 12,684	\$ 4,250	\$ 35,232
Sharon M. Leite	\$ 7,350	\$ 3,900	\$ 4,644	\$ 1,500	\$ 17,394

Pier 1 Imports' 401(k) and Stock Purchase Plan are broad based plans available to all eligible employees on a non-discriminatory basis.

(c) This column reports \$126,726 reimbursement paid to Ms. David for her moving and relocation expenses from her residence in Franklin, Tennessee, to Fort Worth, Texas, and travel expenses of \$2,500 paid by Pier 1 Imports for her travel between Franklin, Tennessee, and Fort Worth, Texas, during her period of relocation.

(d) Perquisites and personal benefits aggregating less than \$10,000 are not shown.

Table of Contents**Grants of Plan-Based Awards for the Fiscal Year Ended February 25, 2012**

As set forth in the Compensation Discussion and Analysis above, during fiscal 2012 Pier 1 Imports granted short-term incentive cash awards pursuant to the Pier 1 Imports, Inc. 2006 Stock Incentive Plan to the named executive officers. Quarterly and annual incentive cash awards are paid if Pier 1 Imports attains certain quarterly and annual Profit Goals. The participant must be employed at the end of the applicable quarter to receive any quarterly incentive cash award and also at the end of the fiscal year to receive any annual incentive cash award. An executive's incentive cash award threshold, target and maximum potential is expressed as a percentage of his or her annual base salary for the fiscal year. The quarterly incentive cash award target for Mr. Smith was 12.5% of his annual base salary, and for Messrs. Turner and Humenesky and Ms. Leite and David was 9.375% of their respective annual base salary. The annual incentive cash award target for Mr. Smith was 50% of his annual base salary, and for Messrs. Turner and Humenesky and Ms. Leite and David was 37.5% of their respective annual base salary.

Also, and as set forth in the Compensation Discussion and Analysis above, during fiscal 2012 Pier 1 Imports granted, under the Pier 1 Imports, Inc. 2006 Stock Incentive Plan, long-term incentive awards to the named executive officers, other than Mr. Smith. The fiscal 2012 long-term incentive awards were comprised of restricted stock grants that were equally divided between time-based and performance-based shares. The time-based awards vest 33%, 33% and 34% each year over a three-year period beginning on the first anniversary of the grant date provided that the participant is employed on the vesting date. Time-based restricted stock grants for fiscal 2012 to Mr. Turner were 17,000 shares, to Ms. David were 13,750 shares, to Mr. Humenesky were 9,500 shares and to Ms. Leite were 12,000 shares. The performance-based shares vest 33% upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for fiscal 2012 (the same measure utilized for the annual short-term incentive for fiscal 2012) and will vest 33% and 34% for each of the following two fiscal years, respectively, upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for the respective fiscal year, provided that vesting for each fiscal year is conditioned upon the participant being employed on the date of filing of Pier 1 Imports' annual report on Form 10-K with the SEC for the applicable fiscal year. Over each three-year performance (vesting) period, if the targeted Profit Goal is not satisfied in any fiscal year, those performance-based shares that do not vest may still vest if the sum of consecutive years' Profit Goals equals or exceeds the sum of the individual consecutive fiscal years' Profit Goal targets.

With respect to the number of performance-based shares that vest based on satisfying a targeted Profit Goal for a given fiscal year, vesting will occur pursuant to the following schedule (with interpolation between the target levels):

100% of the Profit Goal target	100% of the shares;
96% of the Profit Goal target	90% of the shares;
92% of the Profit Goal target	80% of the shares;
88% of the Profit Goal target	70% of the shares;
84% of the Profit Goal target	60% of the shares; and
80% of the Profit Goal target	50% of the shares.

Performance-based restricted stock grants for fiscal 2012 to Mr. Turner were 17,000 shares, to Ms. David were 13,750 shares, to Mr. Humenesky were 9,500 shares and to Ms. Leite were 12,000 shares. The table below only includes the number of shares that will vest if the fiscal 2012 Profit Goal is achieved (33% of the total number awarded). In accordance with accounting rules, the remaining shares will have a grant date for accounting purposes during fiscal 2013 and fiscal 2014 when the Profit Goal targets for each respective fiscal year are established by the compensation committee. The table below also includes the performance-based restricted stock grants for fiscal 2011 (33% of the total number awarded) that have a grant date for accounting purposes during fiscal 2012.

The restricted stock awards (time-based and performance-based) granted in fiscal 2012 are not eligible to receive cash dividends prior to vesting should cash dividends be paid on Pier 1 Imports' common stock. Pier 1 Imports did not pay cash dividends in fiscal 2012.

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Also, and as set forth in the Compensation Discussion and Analysis above, Mr. Smith received a grant of 187,500 shares of performance-based restricted stock under the Pier 1 Imports, Inc. 2006 Stock Incentive Plan on February 27, 2011, which vest 62,500 shares upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for fiscal year 2012 and 62,500 shares in each of the following two fiscal years upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for the respective fiscal year, such achievement to be determined upon the filing of Pier 1 Imports' annual report on Form 10-K for the applicable fiscal year and, provided that for each fiscal year Mr. Smith is employed on the last day of each such fiscal year. If a Profit Goal target for a particular fiscal year is partially met, then the number of shares that could vest is adjusted as follows (with interpolation between the target levels):

100% of the Profit Goal target	62,500 shares (100%);
96% of the Profit Goal target	56,250 shares (90%);
92% of the Profit Goal target	50,000 shares (80%);
88% of the Profit Goal target	43,750 shares (70%);
84% of the Profit Goal target	37,500 shares (60%); and
80% of the Profit Goal target	31,250 shares (50%).

Over each three-year performance (vesting) period, if the targeted Profit Goal is not satisfied in any fiscal year, those performance-based shares that do not vest may still vest if the sum of consecutive years' Profit Goals equals or exceeds the sum of the individual consecutive fiscal years' Profit Goal targets.

The table below also includes 62,500 of the performance-based restricted shares granted to Mr. Smith on February 28, 2010, which vest upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for fiscal 2012.

Mr. Smith's February 27, 2011, restricted stock awards (time-based and performance-based shares) are not eligible to receive cash dividends prior to vesting should cash dividends be paid on Pier 1 Imports' common stock. Pier 1 Imports did not pay cash dividends in fiscal 2012.

The following table sets forth information relating to grants of plan-based awards during the fiscal year ended February 25, 2012 to the executive officers named above in the table included under the caption Summary Compensation Table for the Fiscal Years Ended February 25, 2012, February 26, 2011 and February 27, 2010.

Name	Grant Date	Meeting Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All other Stock Awards: Number of Shares of Stock	All Other Option Awards: Number of Underlying Securities	Exercise or Base Price of Option (\$/Share)	Grant Date Fair Value of Stock and Option Awards(3) (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Alexander W. Smith	05/19/2011	03/25/2011	\$52,500	\$ 1,050,000	\$ 2,625,000		N/A		N/A	N/A	N/A	
	02/28/2010	12/15/2009				31,250	62,500	62,500	N/A	N/A	\$ 613,125	
	02/27/2011	12/15/2009				31,250	62,500	62,500	N/A	N/A	\$ 613,125	
Charles H. Turner	05/19/2011	03/25/2011	\$17,250	\$ 345,000	\$ 862,500		N/A		N/A	N/A	N/A	
	04/09/2010	03/25/2011				3,960	7,920	7,920	N/A	N/A	\$ 77,695	

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	04/08/2011	03/25/2011				2,805	5,610	5,610	N/A	N/A	\$ 64,347	
Catherine David	04/08/2011	03/25/2011					N/A		17,000	N/A	N/A	\$ 194,990
	05/19/2011	03/25/2011	\$15,000	\$ 300,000	\$ 750,000		N/A			N/A	N/A	N/A
	04/09/2010	03/25/2011				2,970	5,940	5,940	N/A	N/A	\$ 58,271	
	04/08/2011	03/25/2011				2,268	4,537	4,537	N/A	N/A	\$ 52,039	
Gregory S. Humenesky	04/08/2011	03/25/2011					N/A		13,750	N/A	N/A	\$ 157,713
	05/19/2011	03/25/2011	\$12,375	\$ 247,500	\$ 618,750		N/A			N/A	N/A	N/A
	04/09/2010	03/25/2011				2,062	4,125	4,125	N/A	N/A	\$ 40,466	
	04/08/2011	03/25/2011				1,567	3,135	3,135	N/A	N/A	\$ 35,958	
Sharon M. Leite	04/08/2011	03/25/2011					N/A		9,500	N/A	N/A	\$ 108,965
	05/19/2011	03/25/2011	\$13,125	\$ 262,500	\$ 656,250		N/A			N/A	N/A	N/A
	04/09/2010	03/25/2011				2,557	5,115	5,115	N/A	N/A	\$ 50,178	
	04/08/2011	03/25/2011				1,980	3,960	3,960	N/A	N/A	\$ 45,421	
	04/08/2011	03/25/2011					N/A		12,000	N/A	N/A	\$ 137,640

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- (1) These columns show the potential value of the payout for each named executive officer under the quarterly and annual short-term incentive cash award described above (grant date May 19, 2011) if the threshold, target and maximum amount of the Profit Goals for fiscal 2012 are met. The calculations for the short-term incentives are based on the named executive officer's fiscal 2012 annual base salary as of the last day of the fiscal year. The fiscal 2012 annual base salary in effect for incentive cash award calculations for Mr. Smith was \$1,050,000; for Mr. Turner was \$460,000; for Ms. David was \$400,000; for Mr. Humenesky was \$330,000; and for Ms. Leite was \$350,000.

- (2) These columns show the potential number of shares that will vest for each named executive officer under the performance-based restricted stock awards described above (grant dates April 9, 2010 and April 8, 2011, except for Mr. Smith who had February 28, 2010 and February 27, 2011 grant dates) if the threshold, target or maximum amount of the fiscal 2012 Profit Goal target is met.

- (3) This column represents the aggregate grant date fair value of time-based and performance-based restricted stock awards granted during the fiscal year, computed in accordance with FASB ASC Topic 718. The amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For restricted stock awards, fair value is calculated using the closing price of Pier 1 Imports' common stock on the date of grant. If the date of grant occurs on a day when Pier 1 Imports' common stock is not traded, then the closing price on the last trading day before the date of grant is used. These amounts reflect Pier 1 Imports' accounting expense for these awards, and do not necessarily correspond to the actual value that will be recognized by the named executive officer. For performance-based awards, the grant date fair value is based on the probable outcome of Pier 1 Imports achieving the Profit Goal target for fiscal 2012. The amounts in the table assume that the target will be met and that the maximum number of shares awarded will vest.

Table of Contents**Outstanding Equity Awards Table for the Fiscal Year Ended February 25, 2012**

The following table provides information on the current outstanding stock option and unvested restricted stock awards held by each named executive officer as of the end of fiscal 2012. Market value was determined using the closing price of Pier 1 Imports common stock of \$16.44 (the NYSE closing price on February 24, 2012, which was the last trading day of fiscal 2012).

Name	Grant Date(1)	Option Awards				Stock Awards				
		Options Exercisable (#)	Options Unexercisable(2) (#)	Equity Incentive Plan Awards: Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(3) (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Unearned Shares, Units or Other Rights That Have Not Vested(5) (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have not Vested (\$)
Alexander W. Smith	02/19/2007	2,000,000			\$ 6.6900	02/19/2017	500,000(4)	\$ 8,220,000	125,000(6)	
	12/15/2009								187,500(6)	
	02/28/2010									\$ 2,055,000
	02/27/2011									\$ 3,082,500
Charles H. Turner	09/26/2002	100,000			\$ 20.3800	09/26/2012				
	09/25/2003	100,000			\$ 19.4000	09/25/2013				
	06/28/2004	100,000			\$ 17.2500	06/28/2014				
	07/01/2005	20,000			\$ 14.2500	07/01/2015				
	06/23/2006	30,000			\$ 7.5500	06/23/2016				
	04/13/2007	60,000			\$ 7.7700	04/13/2017				
	04/11/2008	33,750	11,250		\$ 7.4500	04/11/2018				
	04/09/2010						28,140	\$ 462,622		
	04/08/2011						17,000	\$ 279,480		
	04/09/2010								16,080	\$ 264,355
	04/08/2011								17,000	\$ 279,480
Catherine David	04/09/2010						12,060	\$ 198,266	12,060	\$ 198,266
	04/08/2011						13,750	\$ 226,050	13,750	\$ 226,050
	04/09/2010									

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	04/08/2011							
Gregory S. Humenesky	03/03/2005	5,000		\$ 18.4900	03/03/2015			
	07/01/2005	20,000		\$ 14.2500	07/01/2015			
	06/23/2006	30,000		\$ 7.5500	06/23/2016			
	04/13/2007	60,000		\$ 7.7700	04/13/2017			
	04/11/2008	33,750	11,250	\$ 7.4500	04/11/2018			
	04/09/2010					8,375	\$ 137,685	
	04/08/2011					9,500	\$ 156,180	
	04/09/2010						8,375	\$ 137,685
	04/08/2011						9,500	\$ 156,180
Sharon M. Leite	08/06/2007	30,000		\$ 6.2500	08/06/2017			
	04/11/2008	33,750	11,250	\$ 7.4500	04/11/2018			
	04/09/2010					10,385	\$ 170,729	
	04/08/2011					12,000	\$ 197,280	
	04/09/2010						10,385	\$ 170,729
	04/08/2011						12,000	\$ 197,280

(1) For better understanding of this table, we have included an additional column showing the accounting grant date of the stock options and restricted stock awards.

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- (2) Stock options vest and become exercisable according to the following schedule:

<u>Grant Date</u>	<u>Vesting</u>
04/11/2008	25% per year beginning on the anniversary of grant date.

- (3) Time-based restricted stock awards, other than those granted to Mr. Smith, vest according to the following schedule:

<u>Grant Date</u>	<u>Vesting</u>
04/09/2010 and 04/08/2011	33%, 33% and 34%, respectively, on each anniversary of the grant date provided that the participant is employed on the vesting date.

- (4) See footnote #1 to the Summary Compensation Table for the Fiscal Years Ended February 25, 2012, February 26, 2011 and February 27, 2010 above for more information regarding these awards. The time-based restricted stock award granted to Mr. Smith on December 18, 2009, vests 125,000 shares per year on each of the first three anniversaries of the grant date, provided Mr. Smith is employed on such dates. The time-based restricted stock awards granted to Mr. Smith on February 28, 2010, February 27, 2011, and February 26, 2012, vest 62,500 shares per year on the last day of the respective fiscal year in which the grant occurred and on the last day of the following two fiscal years, provided Mr. Smith is employed on the last day of such fiscal year.

- (5) Performance-based restricted stock awards, other than those granted to Mr. Smith, vest according to the following schedule:

<u>Grant Date</u>	<u>Vesting</u>
04/09/2010	33%, 33% and 34% upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for fiscal 2011, 2012 and 2013, respectively, provided that the participant is employed on the date of filing of Pier 1 Imports annual report on Form 10-K for the applicable fiscal year.
04/08/2011	33%, 33% and 34% upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for fiscal 2012, 2013 and 2014, respectively, provided that the participant is employed on the date of filing of Pier 1 Imports annual report on Form 10-K for the applicable fiscal year.

- (6) Performance-based restricted stock awards granted to Mr. Smith vest according to the following schedule:

<u>Grant Date</u>	<u>Vesting</u>
02/28/2010	62,500 shares each year upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for fiscal 2011, 2012 and 2013, achievement of which is determined upon the filing of Pier 1 Imports annual report on Form 10-K for the applicable fiscal year and provided that Mr. Smith is employed on the last day of each such fiscal year.
02/27/2011	62,500 shares each year upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for fiscal 2012, 2013 and 2014, achievement of which is determined upon the filing of Pier 1 Imports annual report on Form 10-K for the applicable fiscal year and provided that Mr. Smith is employed on the last day of each such fiscal year.

year.

Table of Contents**Option Exercises and Stock Vested Table for the Fiscal Year Ended February 25, 2012**

The following table provides information for each named executive officer about (a) stock option exercises during fiscal 2012, including the number of shares acquired upon exercise and the value realized, and (b) the number of shares for which forfeiture restrictions lapse upon the vesting of restricted stock awards and the value realized. In each event the value realized is before payment of any applicable withholding tax and broker commissions.

Name	Option Awards		Vest Date	Stock Awards(1)		Value Realized on Vesting (\$)
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)		Grant Date	Number of Shares Acquired on Vesting (#)	
Alexander W. Smith	0	\$ 0	04/25/2011	02/28/2010	62,500	\$ 765,625
			12/18/2011	12/18/2009	125,000	\$ 1,706,250
			02/25/2012	02/28/2010	62,500	\$ 1,027,500
			02/25/2012	02/27/2011	62,500	\$ 1,027,500
Charles H. Turner	75,000	\$ 243,803	04/09/2011	04/09/2010	13,860	\$ 158,974
			04/11/2011	04/11/2008	5,100	\$ 58,905
			04/25/2011	04/09/2010	7,920	\$ 97,020
Catherine David	0	\$ 0	04/09/2011	04/09/2010	5,940	\$ 68,132
			04/25/2011	04/09/2010	5,940	\$ 72,765
Gregory S. Humenesky	0	\$ 0	04/09/2011	04/09/2010	4,125	\$ 47,314
			04/11/2011	04/11/2008	5,100	\$ 58,905
			04/25/2011	04/09/2010	4,125	\$ 50,531
Sharon M. Leite	0	\$ 0	04/09/2011	04/09/2010	5,115	\$ 58,669
			04/11/2011	04/11/2008	5,100	\$ 58,905
			04/25/2011	04/09/2010	5,115	\$ 62,659

(1) On December 18, 2009, Mr. Smith was granted 375,000 shares of restricted stock that vest one-third per year on each anniversary of the grant date, provided Mr. Smith is employed on the vesting date. On February 28, 2010, February 27, 2011 and February 26, 2012, Mr. Smith was granted 187,500 shares of restricted stock that vest one-third per year on the last day of the fiscal year in which the grant occurred and on the last day of the following two fiscal years, provided Mr. Smith is employed on the last day of each such fiscal year. As discussed in footnote #1 to the Summary Compensation Table for the Fiscal Years Ended February 25, 2012, February 26, 2011 and February 27, 2010 above, the December 18, 2009, February 28, 2010, February 27, 2011 and February 26, 2012 grants of time-based restricted stock have a grant date for accounting purposes of December 15, 2009. On December 18, 2011, the forfeiture restrictions lapsed on 125,000 shares. The closing price of Pier 1 Imports common stock on December 16, 2011 (the last trading date before the vest) was \$13.65. On February 25, 2012, the forfeiture restrictions lapsed on 125,000 shares. The closing price of Pier 1 Imports common stock on February 24, 2012 (the last trading date before the vest) was \$16.44.

On February 28, 2010, Mr. Smith was granted 187,500 shares of restricted stock which vest one-third per year upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for fiscal year 2011 and one-third per year in each of the following two fiscal

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years upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for the respective fiscal year, such achievement to be determined upon the filing of Pier 1 Imports' annual report on Form 10-K for the applicable fiscal year, and provided that for each fiscal year Mr. Smith is employed on the last day of each such fiscal year. On April 25, 2011, the forfeiture restrictions lapsed on 62,500 shares of the February 28, 2010 grant with a market price of \$12.25 as of that date.

On April 9, 2010, time-based restricted stock awards that vest 33%, 33% and 34% on each anniversary of the grant date provided the participant is employed at the vesting date were granted to Mr. Turner (42,000 shares), Ms. David (18,000 shares), Mr. Humenesky (12,500 shares) and Ms. Leite (15,500 shares). On April 9, 2011, the forfeiture restrictions lapsed on 13,860 shares (Turner), 5,940 shares (David), 4,125 shares (Humenesky) and 5,115 shares (Leite). The closing price of Pier 1 Imports' common stock on April 8, 2011 (the last trading date

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before the vest) was \$11.47. On April 11, 2008, Messrs. Turner and Humenesky and Ms. Leite were each granted 15,000 shares of time-based restricted stock that vest 33%, 33% and 34% on each anniversary of the grant date provided that the participant is employed at the vesting date. On April 11, 2011, the forfeiture restrictions lapsed on 5,100 shares with a market price of \$11.55 as of that date.

On April 9, 2010, performance-based restricted stock awards that vest 33% upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for fiscal 2011, and that vest 33% and 34% for each of the following two fiscal years, respectively, upon Pier 1 Imports satisfying the Profit Goal target established by the compensation committee for the respective fiscal year, provided that vesting for each fiscal year is conditioned upon the participant being employed on the date of the filing of Pier 1 Imports' annual report on Form 10-K with the SEC for the applicable fiscal year, were granted to Mr. Turner (24,000 shares), Ms. David (18,000 shares), Mr. Humenesky (12,500 shares) and Ms. Leite (15,500 shares). On April 25, 2011 (date of filing of Pier 1 Imports' annual report on Form 10-K with the SEC for fiscal 2011), the forfeiture restrictions lapsed on 7,920 shares (Turner), 5,940 shares (David), 4,125 shares (Humenesky) and 5,115 shares (Leite), with a market price of \$12.25 as of that date.

Pension Benefits Table for the Fiscal Year Ended February 25, 2012

Pier 1 Imports' named executive officers other than Messrs. David and Leite participate in a plan which was adopted by Pier 1 Imports in 1995 and is known as the Supplemental Retirement Plan. The plan provides that upon death, disability, retirement, or termination of employment (including termination of employment in certain circumstances within 24 months of a change in control, commonly referred to as a double-trigger) for reasons other than cause (as defined in the plan) each participant will receive a life annuity based on an annual benefit which generally equals 60% of the participant's highest three-year average of annual salary and bonus offset by Social Security retirement benefits. Messrs. Smith, Turner and Humenesky are each entitled to a lump-sum payment of the actuarial equivalent of their respective benefit. For the named executive officers that participate in the plan other than Mr. Smith, the annual life annuity amount cannot exceed \$500,000. Mr. Smith's benefit calculation is not subject to this limitation. For certain participants the plan also provides that in the event of disability or retirement, those participants and their dependents have the lifetime right to participate in comparable major medical and hospitalization insurance coverage as made available generally to Pier 1 Imports employees and their dependents. If the executive elects such coverage, he or she must pay a portion of the total premium. In the event of termination of employment for reasons other than cause and prior to retirement eligibility, the participant and his or her dependents have the right to participate in such comparable major medical and hospitalization insurance coverage during the 15 years immediately after the date the participant attains age 65. If the participant elects such coverage, he or she must pay the total premium associated with the coverage.

The following table shows the present value of each named executive officer's total accumulated benefit under Pier 1 Imports' Supplemental Retirement Plan as of the fiscal year ended February 25, 2012.

Name	Number of Years Credited Service(1)	Present Value of Accumulated Benefit(2)	Payments During Last Fiscal Year
	(#)	(\$)	(\$)
Alexander W. Smith	12.67	\$10,004,706	\$0
Charles H. Turner	21	\$ 4,373,679	\$0
Gregory S. Humenesky	8	\$ 920,899	\$0

- (1) With the exception of Mr. Smith, the number of years of credited service for plan purposes equals the years of credited vesting service as determined by Pier 1 Imports' 401(k) plan for the participant, regardless of whether the participant is actually participating in the 401(k) plan. In all cases except Mr. Smith, the years of credited service shown equals the named executive officer's years of employment with Pier 1 Imports. Pursuant to his initial employment agreement, Mr. Smith was entitled to participate in the Supplemental Retirement Plan so as to achieve the same level of benefit as his accrued benefit under the supplemental executive retirement plan of his former employer. Therefore, in fiscal 2008 Mr. Smith was credited with 10 years of plan participation upon enrollment in the plan and 6.67 years of credited service as of his employment date with Pier 1 Imports. The

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additional 6.67 years of credited service accounts for \$5,266,882 of his total present value of accumulated benefit of \$10,004,706. As of the end of fiscal 2012, Mr. Smith has achieved six additional years of credited service based upon his employment date.

(2) Includes the present value of medical insurance premiums payable on behalf of Mr. Smith in the event of early retirement. Benefits under the plan for each participant are prorated for years of credited service with Pier 1 Imports of less than 20 years. In addition, each participant becomes vested in that benefit based on years of plan participation under the following schedule:

Years of Plan Participation	Vesting Percentage
Less than 1	0%
1 but less than 2	10%
2 but less than 3	20%
3 but less than 4	30%
4 but less than 5	40%
5 but less than 6	50%
6 but less than 7	60%
7 but less than 8	70%
8 but less than 9	80%
9 but less than 10	90%
10 or more	100%

Vesting is accelerated to 100% upon an early retirement, normal retirement, termination of employment in certain circumstances within 24 months of a change in control (double-trigger) of Pier 1 Imports, or death or disability of the participant. Messrs. Smith and Turner each have more than 10 years of plan participation. Mr. Humenesky has 6 years of plan participation.

No named executive officer who participates in the plan qualifies for normal retirement under the plan, which requires a participant’s attainment of age 65. A participant qualifies for early retirement if the participant has at least 10 years of plan participation and retires at or after age 55 and before age 65. If a participant retires from Pier 1 Imports after age 55 but before age 65, the calculated benefit prior to adjustment for Social Security benefits is reduced by 5% for each year that retirement precedes age 65. Mr. Smith is eligible for early retirement.

Refer to note #6 to the Pier 1 Imports, Inc. consolidated financial statements in the 2012 Form 10-K for a discussion of the valuation method and material assumptions applied in quantifying the present value of the current accrued benefit for the plan shown in the Pension Benefits Table for the Fiscal Year Ended February 25, 2012 above.

Non-Qualified Deferred Compensation Table for the Fiscal Year Ended February 25, 2012

The following table shows the value as of the fiscal year ended February 25, 2012 of each named executive officer’s total benefit under the non-qualified deferred compensation plans of Pier 1 Imports in which the executive participates. Pier 1 Imports’ non-qualified deferred compensation plans are:

Pier 1 Benefit Restoration Plan II The Pier 1 Benefit Restoration Plan II (BRP II) permitted select members of management and highly compensated employees of Pier 1 Imports to defer compensation. Additionally, Pier 1 Imports recognized the value of the past and present services of employees participating in the BRP II by making matching contributions to employee deferrals plus paying interest on the deferral and match amounts.

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BRP II participants could defer pre-tax amounts of up to 20% of their compensation (generally W-2 earnings). Participants' contributions and the interest earned on those contributions are fully vested. No loans are permitted. Pier 1 Imports' matching contribution was (i) 100% of the first one percent of the participant's compensation deferral, and (ii) 50% of the next four percent of the participant's compensation deferral. Matching contributions and the interest earned on those contributions are subject to the same vesting requirements as Pier 1 Imports' 401(k) retirement plan regardless of whether the participant is actually participating in the 401(k) plan. The 401(k) vesting schedule is 20% per year of service (as defined in the plan) beginning with two years of service. Participants are fully vested in Pier 1 Imports' matching contributions plus earnings at six years of service with Pier 1 Imports.

Each participant's deferral amount plus the Pier 1 Imports match is credited at least quarterly with an amount of interest at an annual rate equal to a daily average Moody's Corporate Bond Index plus 1%. Over the last three fiscal years, the annual interest rates have ranged from 5.81% to 7.47%. During fiscal 2012, the interest rates were 5.99% through December 31, 2011 and 5.81% January 1, 2012 through February 25, 2012. Unless participants elect to have their account balance paid out to them in five annual installments, then upon separation from Pier 1 Imports their current balance is paid out to them in a lump-sum distribution, subject to delay as required by the deferred compensation taxation laws generally referred to as 409A.

During fiscal 2011, BRP II was closed to further deferral elections by participants. The final participant contributions and Pier 1 Imports matching contributions to BRP II were for deferrals from the fiscal 2011 short-term incentive annual cash awards and were credited to the plan in fiscal 2012. Account balances in BRP II will continue to earn interest at an annual rate as described above. Effective January 1, 2011, the Pier 1 Imports, Inc. Deferred Compensation Plan (DCP) described below was adopted.

Pier 1 Imports, Inc. Deferred Compensation Plan The DCP permits select members of management and highly compensated employees of Pier 1 Imports to defer up to 50% of their compensation (generally W-2 earnings). Participants' compensation deferrals and earnings on those deferrals are fully vested. No loans are permitted. Pier 1 Imports' matching contribution is (i) 100% of the first one percent of the participant's compensation deferral, and (ii) 50% of the next four percent of the participant's compensation deferral. Matching contributions and the earnings on those contributions are subject to the same vesting requirements as Pier 1 Imports' 401(k) retirement plan regardless of whether the participant is actually participating in the 401(k) plan. The 401(k) plan's vesting schedule is 20% per year of service (as defined in the plan) beginning with two years of service. Participants are fully vested in Pier 1 Imports' matching contributions plus earnings at six years of service with Pier 1 Imports.

Each participant may allocate their deferral amounts and Pier 1 Imports matching contributions among different deemed investment crediting options, which cover various asset classes. Participant accounts are credited with the same earnings or losses as the deemed investment crediting option and are subject to the same investment risk as an actual investment in the deemed investment crediting options. Subject to plan rules, participants may elect to have their deferral account balance paid to them while employed or after separation from Pier 1 Imports; provided, however, that upon separation of employment, any unpaid amounts elected to be paid while employed will be paid after separation of employment. Vested matching account balances are distributed to participants only after separation from Pier 1 Imports.

Trusts have been established for the purpose of setting aside funds to be used to settle obligations under BRP II and the DCP. The trusts' assets are consolidated in Pier 1 Imports' financial statements and consisted of investments aggregating \$1,214,000 at February 25, 2012. The trusts also own and are the beneficiaries of a number of insurance policies on the lives of current and past key executives. At February 25, 2012, the cash surrender value of these policies was \$4,785,000. These investments are restricted and may only be used to satisfy BRP II and DCP obligations. Contributions to the trusts are made at the discretion of the board of directors and may be made in the form of cash or other assets such as life insurance policies.

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Name	Executive Contributions in Last Fiscal Year(1) (\$)	Registrant Contributions in Last Fiscal Year(2) (\$)	Aggregate Earnings in Last Fiscal Year (\$)	Aggregate Withdrawals / Distributions (\$)	Aggregate Balance at Last Fiscal Year-End(5) (\$)
Alexander W. Smith					
BRP II	\$ 0	\$ 0	\$ 8,675(3)	\$ 0	\$ 150,681
DCP	\$ 144,375	\$ 43,313	\$ 8,037(4)	\$ 0	\$ 211,539
Charles H. Turner					
BRP II	\$ 5,175	\$ 5,175	\$ 6,201(3)	\$ 0	\$ 109,036
DCP	\$ 5,894	\$ 5,894	\$ 743(4)	\$ 0	\$ 13,599
Catherine David					
BRP II	\$ 81,841	\$ 12,276	\$ 6,567(3)	\$ 0	\$ 126,067
DCP	\$ 93,558	\$ 15,375	\$ 4,324(4)	\$ 0	\$ 123,916
Gregory S. Humenesky					
BRP II	\$ 74,250	\$ 11,138	\$ 8,234(3)	\$ 0	\$ 153,902
DCP	\$ 62,906	\$ 12,684	\$ 4,141(4)	\$ 0	\$ 82,792
Sharon M. Leite					
BRP II	\$ 3,900	\$ 3,900	\$ 854(3)	\$ 0	\$ 15,821
DCP	\$ 6,192	\$ 4,644	\$ 381(4)	\$ 0	\$ 12,636

- (1) Reflects participation by the named executive officers during fiscal 2012. Executive contribution amounts are included in each named executive officer's salary amount in the table included under the caption "Summary Compensation Table for the Fiscal Years Ended February 25, 2012, February 26, 2011 and February 27, 2010" above.
- (2) Reflects Pier 1 Imports' matching contribution credited to the account of each named executive officer. These amounts are also included as All Other Compensation in the table included under the caption "Summary Compensation Table for the Fiscal Years Ended February 25, 2012, February 26, 2011 and February 27, 2010" above.
- (3) Reflects interest earnings on compensation deferrals plus applicable matching contributions. The interest earnings are the total amount of interest payments received.
- (4) Reflects the appreciation or depreciation of the deemed investment crediting options held in the participant's DCP account.
- (5) Messrs. Smith, Turner and Humenesky and Ms. Leite are fully vested in BRP II. Ms. David is 60% vested in BRP II matching contributions and interest earned on those contributions.

Potential Payments upon Termination or Change in Control

The following table shows potential payments to our named executive officers under existing contracts, agreements, plans or arrangements to which they are a party for various scenarios including a change in control or termination of employment, assuming the event occurred on February 25, 2012 and, where applicable, using the closing price of Pier 1 Imports' common stock of \$16.44 (the NYSE closing price on February 24, 2012). The table below does not include normal (versus early) retirement payout information because as of February 25, 2012 none of the named executive officers who participate in Pier 1 Imports' Supplemental Retirement Plan was eligible for normal retirement. For additional information regarding the Supplemental Retirement Plan, see the information above under the caption "Pension Benefits Table for the Fiscal Year Ended February 25, 2012." Potential payments to our named executive officers upon termination of employment under Pier 1 Imports' non-qualified deferred compensation arrangements are discussed above under the caption "Non-Qualified Deferred Compensation Table for the Fiscal Year Ended February 25, 2012."

These disclosures are based on the terms and provisions of the agreements, plans and arrangements as they existed at the end of Pier 1 Imports' fiscal 2012, and Pier 1 Imports' interpretation of those terms and provisions at

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that time. One or more of the plans identified may allow the administrative committee of such plan to amend the plan or award grant agreements pursuant to the plan, subject in particular situations to certain restrictions. In such an event, the disclosures shown below would vary depending on the amendment or restriction.

Mr. Smith's employment agreement contains non-solicitation and non-competition terms binding Mr. Smith for one year following termination of employment. Additionally, stock option grants under the Pier 1 Imports, Inc. 1999 Stock Plan (1999 plan) and the Pier 1 Imports, Inc. 2006 Stock Incentive Plan (2006 plan) (as described in the footnotes below) are subject to certain non-competition, non-solicitation and confidentiality agreements which, if violated by an optionee during employment, or within three years after termination of employment in the event of early retirement, will result in termination of the option grant.

Name	Voluntary Termination (\$)	Early Retirement (\$)	Voluntary Good Reason Termination (\$)	Involuntary Without Cause Termination (\$)	For Cause Termination (\$)	Change in Control (\$)	Death (\$)	Disability (\$)
Alexander W. Smith								
Employment Agreement								
Compensation/Benefits Supplemental	\$ 0	N/A	\$ 3,150,000(13)	\$ 3,150,000(13)	\$ 0	\$ 4,027,569(13)	\$ 0	\$ 787,500(13)
Retirement Plan(1)								
Benefit Payment	\$ 9,408,592	\$ 9,408,592	\$ 9,408,592	\$ 9,408,592	\$ 0	\$ 13,043,376	\$ 4,511,427	\$ 18,333,386
Insurance Premiums	\$ 596,114	\$ 596,114	\$ 596,114	\$ 596,114	\$ 0	\$ 596,114	\$ 0	\$ 596,114
Restricted Stock Awards								
Time-based	\$ 0(2)	N/A(3)	\$ 5,137,500(13)	\$ 5,137,500(13)	\$ 0(2)	\$ 0(5)	\$ 0(6)	\$ 0(6)
Performance-based	\$ 0(2)	N/A(3)	\$ 5,137,500(13)	\$ 5,137,500(13)	\$ 0(2)	\$ 0(5)	\$ 0(6)	\$ 0(6)
Charles H. Turner								
Supplemental								
Retirement Plan(1)								
Benefit Payment	\$ 4,373,679	N/A	\$ 4,373,679	\$ 4,373,679	\$ 0	\$ 7,446,908	\$ 4,065,299	\$ 4,191,850
Insurance Premiums	\$ 0	N/A	\$ 0	\$ 0	\$ 0	\$ 932,902	\$ 0	\$ 932,902
Restricted Stock Awards								
Time-based	\$ 0(2)	N/A(3)	\$ 0(2)	\$ 742,102(4)	\$ 0(2)	\$ 742,102(5)	\$ 742,102(6)	\$ 742,102(6)
Performance-based	\$ 0(2)	N/A(3)	\$ 0(2)	\$ 543,835(4)	\$ 0(2)	\$ 543,835(5)	\$ 543,835(6)	\$ 543,835(6)
Stock Options	\$ 0(7)	N/A(8)	\$ 0(7)	\$ 0(9)	\$ 0(10)	\$ 101,138(11)	\$ 101,138(12)	\$ 101,138(12)
Catherine David								
Restricted Stock Awards								
Time-based	\$ 0(2)	N/A(3)	\$ 0(2)	\$ 424,316(4)	\$ 0(2)	\$ 424,316(5)	\$ 424,316(6)	\$ 424,316(6)
Performance-based	\$ 0(2)	N/A(3)	\$ 0(2)	\$ 0(4)	\$ 0(2)	\$ 424,316(5)	\$ 0(6)	\$ 0(6)
Gregory S. Humensky								
Supplemental								
Retirement Plan(1)								
Benefit Payment	\$ 920,899	N/A	\$ 920,899	\$ 920,899	\$ 0	\$ 1,957,091	\$ 910,987	\$ 3,114,956
Insurance Premiums	\$ 0	N/A	\$ 0	\$ 0	\$ 0	\$ 488,140	\$ 0	\$ 488,140
Restricted Stock Awards								
Time-based	\$ 0(2)	N/A(3)	\$ 0(2)	\$ 293,865(4)	\$ 0(2)	\$ 293,865(5)	\$ 293,865(6)	\$ 293,865(6)
Performance-based	\$ 0(2)	N/A(3)	\$ 0(2)	\$ 0(4)	\$ 0(2)	\$ 293,865(5)	\$ 0(6)	\$ 0(6)
Stock Options	\$ 0(7)	N/A(8)	\$ 0(7)	\$ 0(9)	\$ 0(10)	\$ 101,138(11)	\$ 101,138(12)	\$ 101,138(12)
Sharon M. Leite								
Restricted Stock Awards								

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Time-based	\$	0(2)	N/A(3)	\$	0(2)	\$	368,009(4)	\$	0(2)	\$	368,009(5)	\$	368,009(6)	\$	368,009(6)
Performance-based	\$	0(2)	N/A(3)	\$	0(2)	\$	0(4)	\$	0(2)	\$	368,009(5)	\$	0(6)	\$	0(6)
Stock Options	\$	0(7)	N/A(8)	\$	0(7)	\$	0(9)	\$	0(10)	\$	101,138(11)	\$	101,138(12)	\$	101,138(12)

- (1) The amounts shown for voluntary termination, voluntary good reason termination, and involuntary without cause termination represent the present value of the lump-sum amount of the actuarial equivalent of the termination benefit for each participating named executive officer, other than Mr. Smith, under the Supplemental Retirement Plan which is payable at age 65. For Mr. Smith, the amounts shown represent a lump-sum amount of the actuarial equivalent of his benefit under the plan given his eligibility for early retirement under the plan. The amount shown for change in control represents the present value of the lump-sum amount of the actuarial equivalent of the benefits for each participating named executive officer assuming the executive officer is involuntarily terminated other than for cause, or leaves the employment of Pier 1 Imports for good reason (as defined in the plan), on February 25, 2012, and that such date is within 24 months of a change in control (as defined in the plan) of Pier 1 Imports.
- (2) Generally, under grant agreements pursuant to the 2006 plan, termination of employment for any reason results in a forfeiture to Pier 1 Imports of all unvested restricted stock awards. However, as discussed in footnote 13 below, all

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shares of Mr. Smith's restricted stock awards granted pursuant to his employment agreement vest in the event of a voluntary good reason termination or an involuntary without cause termination. The amounts shown in the table assume that the acceleration of vesting discussed in footnote 4 or 5 below does not occur upon a voluntary termination of employment.

- (3) Under the 2006 plan the administrative committee may, in its discretion, notwithstanding the grant agreement, upon a participant's retirement fully vest any and all Pier 1 Imports common stock awarded pursuant to a restricted stock award. Although the plan does not define retirement, for the purposes of this table, eligibility for early retirement assumes attainment of age 55 plus 15 years of service with Pier 1 Imports, and eligibility for normal retirement assumes age 65 regardless of years of service. These are the same parameters for early retirement and normal retirement used in Pier 1 Imports stock option grants. As of February 25, 2012, Messrs. Smith, Turner and Humenesky and Ms. David and Leite are respectively ages 59, 54, 60, 48 and 49. Although Messrs. Smith and Humenesky have attained the age of 55, they do not have 15 years of service with Pier 1 Imports to be eligible for early retirement under the above assumption.
- (4) Under the 2006 plan the administrative committee may, in its discretion, notwithstanding the grant agreement, upon termination without cause, fully vest any and all Pier 1 Imports common stock awarded pursuant to a restricted stock award, unless the award was granted to a covered employee (as defined in the applicable Treasury Regulations) and the award was designed to meet the exception for performance-based compensation under Section 162(m) of the Internal Revenue Code. The chief financial officer, Mr. Turner, is not included as a covered employee under the applicable Treasury Regulations. The amount shown assumes the administrative committee fully vested any and all time-based restricted stock grants and Mr. Turner's performance-based restricted stock grants under the 2006 plan. Value shown is the NYSE closing price on February 24, 2012, of \$16.44 per share times the number of shares.
- (5) Under the 2006 plan the administrative committee may, in its discretion, upon a corporate change (as defined in the plan) fully vest any or all common stock awarded pursuant to a restricted stock award. Mr. Smith's restricted stock awards are governed by his employment agreement and no assumption is made regarding administrative committee action fully vesting those awards. Assuming the administrative committee fully vested the other named executive officers' restricted stock grants under the 2006 plan, then that amount is shown. Value shown is the NYSE closing price on February 24, 2012, of \$16.44 per share times the number of shares.
- (6) Under the 2006 plan the administrative committee may, in its discretion, upon death or disability fully vest a restricted stock award, unless the award was granted to a covered employee (as defined in the applicable Treasury Regulations) and the award was designed to meet the exception for performance-based compensation under Section 162(m) of the Internal Revenue Code. The chief financial officer, Mr. Turner, is not included as a covered employee under the applicable Treasury Regulations. Mr. Smith's restricted stock awards are governed by his employment agreement and no assumption is made regarding administrative committee action fully vesting those awards. Assuming the administrative committee fully vested the other named executive officers' time-based restricted stock grants and Mr. Turner's performance-based restricted stock grants under the 2006 plan, then that amount is shown. Value shown is the NYSE closing price on February 24, 2012, of \$16.44 per share times the number of shares.
- (7) Grants of stock options under the 1999 plan and the 2006 plan allow upon a termination of employment with the consent of Pier 1 Imports for the optionee to have until the earlier of (a) the expiration of the option term, or (b) the 91st day after the date of termination to exercise any shares vested as of the date of termination. Mr. Smith and Ms. David do not have any stock options granted under either plan. Vested stock options and their exercise prices are shown above in the table included under the caption Outstanding Equity Awards Table for the Fiscal Year Ended February 25, 2012.
- (8) Under the 1999 plan and the award agreements pursuant to the 2006 plan, eligibility for early retirement requires attainment of the age of 55 years, plus 15 years of service with Pier 1 Imports. Eligibility for normal retirement is attained at age 65 regardless of years of service. Under the 1999 plan and the award agreements

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pursuant to the 2006 plan, the vesting of all options is accelerated upon retirement. All outstanding options under the 1999 plan are fully vested. As of February 25, 2012, Messrs. Turner and Humenesky and Ms. Leite are respectively ages 54, 60 and 49. Although Mr. Humenesky has attained the age of 55, he does not have 15 years of service with Pier 1 Imports to be eligible for early retirement.

- (9) Upon termination of employment with the consent of Pier 1 Imports, optionees have until the earlier of (a) the expiration of the option term, or (b) the 91st day after the date of termination to exercise any shares vested as of the date of termination. Vested stock options and their exercise prices are shown above in the table included under the caption Outstanding Equity Awards Table for the Fiscal Year Ended February 26, 2011.
- (10) Upon termination for cause, all options terminate at the termination of employment.
- (11) Under the 2006 plan, upon a corporate change (as defined in the plan) the vesting of options may be accelerated, the options may be surrendered for a cash payment or adjusted at the discretion of the administrative committee, or the administrative committee may determine to make no changes to the options. Assuming that upon a corporate change an acceleration of the vesting of the options granted under the 2006 plan occurred, the dollar value shown is the NYSE closing price on February 24, 2012, of \$16.44 less the exercise price times the number of shares that could be acquired upon exercise of the options. The exercise term would be determined by the administrative committee.
- (12) Upon the death or disability of an optionee, the options granted under the 1999 plan and the 2006 plan become fully exercisable to the extent of all unexercised shares, and may be exercised by the optionee, or, in the case of death, by the optionee's estate, until the earlier of (a) the expiration of the option term, or (b) the first anniversary date of such death or disability. The dollar value shown is the NYSE closing price on February 24, 2012, of \$16.44 less the exercise price times the number of shares that could be acquired upon exercise of the options.
- (13) If Mr. Smith's employment ended as of the end of fiscal 2012 due to a voluntary good reason termination or an involuntary without cause termination, then pursuant to his employment agreement Mr. Smith would be entitled to receive through the term of the agreement his compensation and benefits and all restricted stock which has been granted would vest.
- Under Section 4999 of the Internal Revenue Code, a termination of employment which is within one year before or after the date of a change in control is presumed to be, unless otherwise rebutted, an event which is closely associated with a change in control such that payments made on account of the termination of employment could be subject to the excise tax imposed under Section 4999 of the Internal Revenue Code. The benefits payments to be made to Mr. Smith and the vesting of restricted stock occurring on account of Mr. Smith's termination of employment, if occurring within a year of a change in control, commonly referred to as a double trigger, could be subject to such excise tax. Assuming the preceding, Pier 1 Imports is obligated under Mr. Smith's employment agreement to pay Mr. Smith an additional amount such that after payment by Mr. Smith of all taxes (including the excise tax and any interest and penalties imposed on such taxes) imposed on such benefits payments, Mr. Smith retains an amount equal to the excise tax imposed on such benefits payments. A change in control of Pier 1 Imports is specifically excluded as grounds by either Pier 1 Imports or Mr. Smith to terminate the employment agreement and a change in control of Pier 1 Imports does not constitute good reason under that agreement.

In the event of Mr. Smith's disability which results in termination of employment, then pursuant to his employment agreement, Mr. Smith would be entitled to receive 13 weeks of compensation and benefits. After the 13-week period, Mr. Smith would participate in any Pier 1 Imports short-term or long-term disability plans for which he is eligible.

A complete description of Mr. Smith's employment agreement is described in the Compensation Discussion and Analysis above under the caption Executive Compensation Components Chief Executive Officer Employment Agreement.

Table of Contents**EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth certain information regarding Pier 1 Imports' equity compensation plans as of February 25, 2012.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by Shareholders			
Pier 1 Imports, Inc. 1989 Employee Stock Option Plan	258,000	\$ 19.40	
Pier 1 Imports, Inc. 1999 Stock Plan	2,430,250	\$ 17.93	
Pier 1 Imports, Inc. 2006 Stock Incentive Plan	1,047,225	\$ 7.47	4,291,874(1)
Pier 1 Imports, Inc. Stock Purchase Plan			4,059,277
Equity compensation plans not approved by Shareholders(2)	2,000,000	\$ 6.69	
Total:	5,735,475	\$ 12.16	8,351,151

(1) As of April 27, 2012, the plan had 3,594,604 shares available for issuance.

(2) Equity compensation plans not approved by shareholders represent the employment inducement stock option awards granted to Mr. Smith on February 19, 2007.

OTHER BUSINESS

Pier 1 Imports does not plan to act on any matters at the meeting other than those described in this proxy statement. If any other business should properly come before the meeting, the persons named in the proxy will vote as described above under the question "Could other matters be decided at the annual meeting?" .

SHAREHOLDER PROPOSALS FOR 2013 ANNUAL MEETING

To be included in the proxy statement relating to the 2013 annual meeting of shareholders, shareholder proposals made pursuant to SEC Rule 14a-8 must be received by Pier 1 Imports' corporate secretary no later than 5:00 p.m., local time, January 14, 2013.

In order to bring a matter before the 2013 annual meeting of shareholders that is not contained in the proxy statement, a shareholder must comply with the shareholder criteria, advance notice, shareholder information and other provisions of Pier 1 Imports' bylaws governing shareholders bringing matters before the annual meeting. Pier 1 Imports' bylaws require that it receive written notice of the matter in proper form with the requisite materials and information no earlier than February 26, 2013, and no later than March 28, 2013. You may contact Pier 1 Imports' corporate secretary to find out what specific information regarding the matter must be included with the advance notice.

YOUR VOTE IS IMPORTANT

You are encouraged to let us know your preferences by voting over the Internet or by telephone, or, should you request one, by completing and returning a proxy card or voting instruction form.

Michael A. Carter

Senior Vice President and General Counsel,

Secretary

May 14, 2012

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Driving Directions for the Pier 1 Imports, Inc. Annual Meeting of Shareholders

at

Pier 1 Imports, Inc. s Corporate Headquarters

at

10:00 a.m., local time

on

June 26, 2012

Reminder: You must present your admission documents as described above under the question "Do I need an admission ticket to attend the annual meeting?" at the admissions table in order to attend the Pier 1 Imports, Inc. Annual Meeting of Shareholders. Doors will open at 9:00 a.m., local time.

Below are directions to Pier 1 Imports corporate headquarters located at 100 Pier 1 Place / 100 Energy Way, Fort Worth, Texas from various locations in the surrounding area.

From DFW Airport:

Take the south exit from the airport.
After passing through the tollgate, take Hwy. 183 west to Fort Worth. (Follow signs to Fort Worth.)
Hwy. 183 will merge with Hwy. 121.
Stay on Hwy. 121 to downtown Fort Worth.
Take the Belknap exit.
Belknap will split into Summit Ave. (left) and Forest Park Blvd. (right). Merge LEFT onto Summit Ave.
Go through the light and take an immediate RIGHT into Pier 1 Imports. Follow directions for parking.

From Downtown Dallas:

Take I-30 west from I-35E intersection.
After approximately 30 miles, take the Summit Ave. exit.
Turn RIGHT on Summit Ave. Continue for approximately 1/2 mile.
Turn LEFT on 5th Street.
Turn RIGHT into Pier 1 Imports. Follow directions for parking.

From North Dallas:

Take I-635 (LBJ Freeway) west to Hwy. 121.
Go south on Hwy. 121.
Follow signs to downtown Fort Worth.
Take the Belknap exit.
Belknap will split into Summit Ave. (left) and Forest Park Blvd. (right). Merge LEFT onto Summit Ave.
Go through the light and take an immediate RIGHT into Pier 1 Imports. Follow directions for parking.

From West Fort Worth:

Take I-30 East.
Take the Summit Ave. exit and turn LEFT on Summit Ave. Continue for approximately 1/2 mile.
Turn LEFT on 5th Street.
Turn RIGHT into Pier 1 Imports. Follow directions for parking.

Parking will be available on a first-come, first-served basis.

If you have any further questions about attending the meeting, please call our Investor Relations Department at (817) 252-7835 or toll-free at (888) 807-4371.

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PIER 1 IMPORTS, INC.

YOUR VOTE IS IMPORTANT. PLEASE VOTE TODAY.

We encourage you to take advantage of Internet or telephone voting.

Both are available 24 hours a day, 7 days a week.

Internet and telephone voting are available through 11:59 PM Eastern Time the day prior to the shareholder meeting date.

INTERNET

<http://www.proxyvoting.com/pir>

Use the Internet to vote your shares. Have your proxy card in hand when you access the web site.

OR

TELEPHONE

1-866-540-5760

Use any touch-tone telephone to vote your shares. Have your proxy card in hand when you call.

If you vote your shares by Internet or by telephone, you do NOT need to mail back your proxy card.

To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

22757 Fulfillment
22761

q **FOLD AND DETACH HERE** q

The board of directors recommends a vote **FOR** the election of each of the nominees in Proposal No. 1 as a director and **FOR** Proposal Nos. 2 and 3. Please mark your votes as indicated in this example **X**
Proposal No. 1 Election of Directors.

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		FOR	AGAINST	ABSTAIN		FOR	AGAINST	ABSTAIN
1.1	Claire H. Babrowski	1.5	Brendan L. Hoffman
1.2	John H. Burgoyne	..	..	..	1.6	Terry E. London	..	..
1.3	Hamish A. Dodds	..	..	..	1.7	Alexander W. Smith	..	..
1.4	Michael R. Ferrari	..	..	..	1.8	Cece Smith	..	..

		FOR	AGAINST	ABSTAIN
Proposal No. 2	A non-binding, advisory resolution to approve the compensation of Pier 1 Imports named executive officers as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and narrative discussion in the Proxy Statement under the caption Executive Compensation.	..	..	..
Proposal No. 3	The ratification of the audit committee's engagement of Ernst & Young LLP as Pier 1 Imports independent registered public accounting firm for fiscal 2013.	..	..	..

NOTE: In their discretion, the proxies are authorized to vote, as described in the Proxy Statement, upon any other business as may properly come before the annual meeting or any adjournment or postponement of the meeting.

Mark Here for
Address Change
or Comments
SEE REVERSE

NOTE: Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Signature

Signature

Date _____

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ADMISSION TICKET

Pier 1 Imports, Inc.

Annual Meeting of Shareholders

Tuesday, June 26, 2012 10:00 a.m. local time

Pier 1 Imports

Corporate Headquarters

Mezzanine Level, Conference Center Room C

100 Pier 1 Place

Fort Worth, Texas 76102

If you plan to attend the meeting in person, please bring this **ADMISSION TICKET** with you to the meeting. Directions to Pier 1 Imports corporate headquarters are located on the last page of the Proxy Statement.

Choose **MLink**SM for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect**[®] at www.bnymellon.com/shareowner/equityaccess where step-by-step instructions will prompt you through enrollment.

Important notice regarding the Internet availability of proxy materials for the Annual Shareholders Meeting to be held on June 26, 2012. You can view the Company's 2012 Annual Report, which includes a letter to the shareholders, the Company's Annual Report on Form 10-K for the fiscal year ended February 25, 2012, and the 2012 Proxy Statement on the Internet at: <http://www.proxyvoting.com/pir>

q FOLD AND DETACH HERE q

PIER 1 IMPORTS, INC.

100 Pier 1 Place, Fort Worth, Texas 76102

PROXY

The board of directors solicits this proxy for use at the Annual Meeting of Shareholders on June 26, 2012.

The shareholder whose signature appears on the reverse side of this proxy card hereby appoints MICHAEL R. FERRARI, BRUCE A. CHEATHAM and MICHAEL A. CARTER, and any of them, proxy or proxies with full power of substitution and revocation as to each of them, to represent and to vote as set forth on this proxy card or as directed by telephone or Internet all the shares of the common stock of Pier 1 Imports, Inc. held of record by the shareholder on April 27, 2012, at the Annual Meeting of Shareholders to be held at 10:00 a.m. local time on June 26, 2012 at Pier 1 Imports corporate headquarters, Mezzanine Level, Conference Center Room C, 100 Pier 1 Place, Fort Worth, Texas 76102, or any adjournment or postponement of the meeting.

This proxy, when properly executed, will be voted in the manner directed by the shareholder. If no direction is made, this proxy will be voted FOR the election of each of the nominees in Proposal No. 1 as a director and FOR Proposal Nos. 2 and 3, and in their discretion, the proxies are authorized to vote, as described in the Proxy Statement, upon any other business as may properly come before the annual meeting or any adjournment or postponement of the meeting.

You are encouraged to specify your choices by marking the appropriate boxes (SEE REVERSE SIDE) but you need not mark any boxes if you wish to vote in accordance with the board of directors recommendations. The proxies cannot vote your shares unless you sign and return this card or vote by telephone or the Internet.

Address Change/Comments

(Mark the corresponding box on the reverse side)

SHAREOWNER SERVICES
P.O. BOX 3550
SOUTH HACKENSACK, NJ 07606-9250

(Continued and to be marked, dated and signed, on the other side)

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Fulfillment
22761