

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

---

**FORM 8-K  
CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): January 25, 2010

**Williams-Sonoma, Inc.**

(Exact name of registrant as specified in its charter)

California  
(State or other  
jurisdiction of  
incorporation)

001-14077  
(Commission File  
Number)

94-2203880  
(IRS Employer  
Identification No.)

3250 Van Ness Avenue, San Francisco, California 94109  
(Address of principal executive offices)

Registrant's telephone number, including area code (415) 421-7900

N/A  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers**

On January 25, 2010, the independent members of the Board of Directors (the “Board”) of Williams-Sonoma, Inc. (the “Company”) approved the Company’s entry into a Retirement and Consulting Agreement (the “Agreement”) with W. Howard Lester, the Company’s Chairman and Chief Executive Officer. Pursuant to the terms of the Agreement, Mr. Lester will retire as Chairman and Chief Executive Officer and as a member of the Board on the date of the Company’s 2010 annual shareholders’ meeting, currently expected to be on May 26, 2010. Mr. Lester will, however, provide consulting and advisory services in order to assist with the transition to a new Chief Executive Officer. Following his retirement, Mr. Lester will have the title of Chairman Emeritus.

Upon Mr. Lester’s retirement, the Board intends to appoint Laura J. Alber as the Company’s Chief Executive Officer. Ms. Alber, age 41, has served as the Company’s President since July 2006, and served as President, Pottery Barn Brands from 2002 until 2006. Ms. Alber previously served as Executive Vice President, Pottery Barn, and as Senior Vice President, Pottery Barn Catalog and Pottery Barn Kids Retail. The Board intends to include Ms. Alber as a nominee to the Board at the 2010 annual shareholders’ meeting. Additionally, the Board intends to renominate Patrick J. Connolly, Director and Executive Vice President, Chief Marketing Officer, and to nominate Sharon L. McCollam, Executive Vice President, Chief Operating and Chief Financial Officer, to the Board at the 2010 annual shareholders’ meeting. The Board intends to appoint Adrian D.P. Bellamy, the current Lead Independent Director, as non-executive Chairman of the Board if he is re-elected at the 2010 annual shareholders’ meeting.

Pursuant to the terms of the Agreement, Mr. Lester will provide consulting services from his retirement through December 2012 and, during this consulting period, will receive an annualized payment of \$500,000 per year, reasonable administrative support and reimbursement for reasonable expenses incurred in connection with his services. He will receive units representing the right to receive 125,000 shares of the Company’s common stock in addition to receiving cash payments representing the value of 125,000 shares of the Company’s common stock, in each case which will vest monthly over the consulting period. In the event the Company terminates the consulting agreement as a result of Mr. Lester’s material breach of the Agreement, death, permanent disability or a change in control transaction in which the Agreement is not assumed, any unvested portion of these stock units or cash payments will be forfeited. During the consulting period, Mr. Lester will, at the request of the Company, advise and assist on such matters as store real estate strategy, negotiations with real estate lessors, seasonal assortments and layouts, and outreach to shareholders. The Agreement also provides that Mr. Lester will not, among other things, compete with the Company or attempt to hire employees of the Company.

In recognition of his retirement and his contributions to the Company, and in exchange for a general release of claims against the Company, Mr. Lester will receive accelerated vesting of his currently outstanding stock options, stock appreciation rights and restricted stock units, as a result of which the Company expects a non-recurring charge of approximately \$4.6 million or \$.025 per diluted share, which will be realized principally in the first quarter of fiscal year 2010. He will also receive a lump sum payment of \$175,000 (representing estimated costs of health benefits through December 2012) and continued lifetime employee discount privileges. As disclosed in the Company’s most recent proxy statement, the Company has an aircraft lease agreement with a management company owned by Mr. Lester which will continue pursuant to its current economic terms through May 2011. Under the Agreement, Mr. Lester has agreed to give the Company an option to purchase this aircraft at the current estimated fair market value of \$32 million.

Also, in conjunction with its review of fiscal 2009 performance and Mr. Lester’s contribution to the Company’s performance, and as part of its consideration of executive equity grants, on January 25, 2010, the Compensation Committee approved an award of 249,501 restricted stock units to Mr. Lester (representing an initial value of \$5,000,000, or a charge of approximately \$0.03 per diluted share, based

on the closing price of the Company's stock on the preceding business day). This award will vest upon his retirement, which is defined in the award agreement as leaving the Company's employment having attained the age of 70 with at least 10 years of service. This award will be expensed in the Company's fourth quarter of fiscal year 2009.

### ***Certain Forward-Looking Statements***

This Current Report on Form 8-K contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not fully materialize or prove incorrect, could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include statements related to the Company's intended executive and Board changes, and the amount and timing of charges related to the Agreement and Mr. Lester's equity and other awards. The risks and uncertainties that could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements include the risk that the intended executive and Board changes, and the amount and timing of charges related to the Agreement and Mr. Lester's equity and other awards, will not occur as currently expected, and other risks and uncertainties described more fully in the Company's public announcements, reports to shareholders and other documents filed with or furnished to the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2009 and all subsequent current reports on Form 8-K and quarterly reports on Form 10-Q. All forward-looking statements in this Current Report on Form 8-K are based on information available to the Company as of the date hereof, and the Company assumes no obligation to update these forward-looking statements.

### **Item 9.01. Financial Statements and Exhibits**

(d) List of Exhibits:

10.1 Retirement and Consulting Agreement between the Company and W. Howard Lester, dated January 25, 2010

10.2 Restricted Stock Unit Award Agreement with W. Howard Lester dated January 25, 2010

99.1 Press Release, dated January 26, 2010, titled Williams-Sonoma, Inc. Announces that Howard Lester, Chairman and CEO, Will Retire in May 2010 After Leading the Company for 31 Years

## SIGNATURES

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

WILLIAMS-SONOMA, INC.

Date: January 26, 2010

By: /s/ Sharon L. McCollam  
Sharon L. McCollam  
Executive Vice President,  
Chief Operating and Chief Financial Officer

## INDEX TO EXHIBITS

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
10.1	Retirement and Consulting Agreement between the Company and W. Howard Lester, dated January 25, 2010
10.2	Restricted Stock Unit Award Agreement with W. Howard Lester dated January 25, 2010
99.1	Press Release, dated January 26, 2010, titled Williams-Sonoma, Inc. Announces that Howard Lester, Chairman and CEO, Will Retire in May 2010 After Leading the Company for 31 Years

## RETIREMENT AND CONSULTING AGREEMENT

THIS AGREEMENT is made as of January 25, 2010, by and between Williams-Sonoma, Inc., a California corporation (the “Company”), and Howard Lester (the “Executive”).

WHEREAS, Executive presently serves as the Company’s Chairman and Chief Executive Officer;

WHEREAS, the Company and Executive desire to set forth the terms and conditions of Executive’s proposed retirement and succession planning; and

WHEREAS, Executive has agreed to provide services to assist in the transition to a new Chief Executive Officer and to continue to be available to advise and consult as requested by the Company.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the Company and Executive agree as follows:

1. Executive’s Retirement.

(a) Executive agrees to remain employed as the Company’s Chairman and Chief Executive Officer until the date of the Company’s 2010 annual shareholders’ meeting, presently expected to be May 26, 2010 (the “Retirement Date”). Effective as of the Retirement Date, Executive shall be deemed to have resigned his employment and all other positions with the Company and to have resigned from the Company’s Board of Directors (the “Board”).

(b) From the Retirement Date through the end of the Consulting Period (as defined below), Executive shall serve as a consultant to the Company on the terms set forth in this Agreement.

(c) Following the Retirement Date, Executive shall have the title of Chairman Emeritus.

(d) Notwithstanding the foregoing, nothing in this Agreement changes the “at will” nature of Executive’s employment with the Company prior to the Retirement Date.

2. Compensation Through Retirement Date. If Executive remains employed through the Retirement Date, Executive shall receive the following compensation through his Retirement Date:

(a) Executive shall continue to be eligible to receive the employee benefits he currently receives, except as provided in Section 2(b).

(b) Executive's current base salary shall not change. Executive shall receive his bonus under the Company's Bonus Plan for fiscal 2009 in the ordinary course. Executive shall not receive any bonus for fiscal 2010.

3. Retirement from Service. In connection with Executive's retirement on the Retirement Date and, with respect to any of the following compensation and benefits to which Executive is not currently entitled or that are not required by law, subject to Executive signing and letting become effective a general release of claims in the form attached hereto as Exhibit A (the "Release") within the period of time specified therein:

(a) On the Retirement Date, the Company shall pay Executive his unpaid base salary through the Retirement Date plus any accrued and unused vacation pay and floating holidays. The Company shall reimburse Executive for his business expenses incurred prior to the Retirement Date in accordance with Company policies.

(b) On the Retirement Date, Executive's participation in any Company employee benefit plans or programs (including without limitation any matching contributions under the Company's 401(k) plan, life insurance premium programs and other medical programs and any car allowance or other personal benefits and perquisites) shall cease, except as otherwise expressly provided in this Agreement or in the applicable Company plan. For the avoidance of doubt, Executive shall not be eligible for severance benefits under any Company plan.

(c) Nothing herein shall amend the Pre-2005 Executive Deferral Plan, and any amounts thereunder shall be paid to Executive at the time and on the terms set forth in such plan.

(d) During his lifetime, Executive shall continue to receive employee discount privileges on the terms of the Company's employee discount policy.

(e) Within 30 days following the Retirement Date, the Company shall pay to Executive a lump sum amount of \$175,000, less applicable tax withholding, representing the estimated costs of post-retirement health coverage through December 2012.

(f) The Aircraft Lease Agreement between WHL Management LLC and the Company (the "Aircraft Agreement") shall, notwithstanding Section 15 thereof, continue through May 16, 2011 (the "Lease Expiration Date") on its existing monthly terms. Executive shall cause WHL Management LLC to give the Company the option to purchase the Aircraft (as defined in the Aircraft Agreement) on the Lease Expiration Date for \$32 million, and the Company (upon approval by the Board) shall give WHL Management LLC written notice of its intent to exercise or not exercise such option prior to December 1, 2010.

(g) Attached hereto as Exhibit B is a list of Executive's stock options and stock-settled stock appreciation rights (together the "Stock Rights") and restricted stock units ("RSUs") outstanding on the date hereof (the Stock Rights and RSUs collectively

being referred to as the “Existing Equity Awards”). Executive represents that Exhibit B is a correct and complete list of his Existing Equity Awards on the date of this Agreement. No changes shall be made to the terms of the Existing Equity Awards set forth in the applicable award agreement except as follows:

(i) Any unvested Stock Rights shall become fully vested and exercisable on the Retirement Date, and the RSUs granted on October 28, 2008 shall become fully vested and settled on the Retirement Date. For the avoidance of doubt, each of the New Equity Grant (as defined below) and the LTP Grant (as defined on Exhibit B) shall not accelerate but shall continue to vest on the schedule set forth in the applicable award agreement.

(ii) The exercise period of any Stock Right is not being amended. For the avoidance of doubt, Executive understands that any Stock Rights shall terminate, to the extent not exercised, no later than the date following the Retirement Date (which is generally 90 days) as is specified in the applicable award agreement – that is, the Retirement Date is the date of termination of employment under the agreements pertaining to the Stock Rights, to the extent such Stock Rights remain outstanding pursuant to their terms as of the Retirement Date.

(h) Executive agrees to cooperate with the Company in connection with any litigation, whether pending as of the Retirement Date or future litigation, as reasonably requested by the Company. Following the Consulting Period, the Company will reimburse Executive for reasonable expenses incurred by him in connection with providing such assistance, within 30 days of the submission of the appropriate documentation to the Company.

4. Compensation During Consulting Period. Subject to Executive signing and letting become effective the Release within the period of time specified therein:

(a) During the Consulting Period, the Company shall pay Executive an annualized amount of \$500,000 per year, payable in monthly installments for the number of months the Consulting Period remains in effect but in no event beyond December 31, 2012; *provided* that the first payment shall be made on the first business day following the date that is six months after the Retirement Date pursuant to Section 14(a) hereof.

(b) The Company understands that Executive will no longer need office space as of the Retirement Date; however, the Company shall provide Executive with reasonable secretarial support from an employee of the Company during the Consulting Period. The Company intends that such support shall be provided by Executive’s current secretary for so long as she remains a Company employee.

(c) Effective immediately prior to the Retirement Date, Executive shall be granted a unit with respect to 125,000 shares of the Company’s common stock (the “New Equity Grant”), with each unit representing the right to receive (i) one share of Company

common stock and (ii) the Fair Market Value on the vesting date of one share of Company common stock. The New Equity Grant shall be evidenced by a separate award agreement and, except as set forth herein, shall be subject to the Company's standard terms and conditions. If Executive successfully implements a succession and transition plan by May 2010, performs effective consulting services throughout the Consulting Period and complies in all material respects with this Agreement, in each case as determined by the Board, then the New Equity Grant will vest during the Consulting Period in the following installments: 4,167 units on the last day of each month, starting June 30, 2010 through May 31, 2012; 3,570 units on the last day of each month, starting June 30, 2012 and ending on November 30, 2012; and 3,572 Units on December 31, 2012; *provided* that vested shares and cash payments, as applicable, will be delivered only on December 31 (or, if such date is not a business day, the immediately preceding business day) of each year. Any unvested portion of the New Equity Grant will be forfeited prior to the end of the Consulting Period in the event of (i) a Change in Control, as defined below, in which the acquiror does not assume this Agreement, (ii) Executive's death or Disability (as defined below) or (iii) termination by the Company of the Consulting Period pursuant to Section 5(e) hereof as a result of Executive's material breach of this Agreement.

#### 5. Consulting Agreement.

(a) From the Retirement Date through the earlier of (i) December 31, 2012, (ii) the Company's termination of the Consulting Period (subject to clause (e) below) or (iii) Executive's death or Disability (such applicable period, the "Consulting Period"), Executive will provide consulting and advisory services from time to time as may be reasonably requested by the Company's Chief Executive Officer (with the prior approval of the Company's non-executive Chairman of the Board; *provided* that Executive shall be entitled to rely on the Chief Executive Officer's authority with respect to any such request). Such services may consist of any matters of concern to the Chief Executive Officer, provided that the Company will take into consideration Executive's other business and personal commitments that may arise during the Consulting Period. Such matters are expected to include, without limitation,

- Participation in the ongoing review of the store real estate strategy;
- Assistance in negotiations with major real estate lessors, such as Simon, General Growth and Westfield;
- Consulting on seasonal assortments, store design and seasonal layouts;
- Commenting on the monthly financial performance;
- Assistance in the outreach to selected major shareholders;
- Upon request, participating in the mentoring of the executive team;
- As Chairman Emeritus, serving as a cultural symbol within Williams-Sonoma and the vendor community; and

- Advice and guidance to the Company's non-executive Chairman.

Executive will perform such consulting services in a commercially reasonable matter.

(b) During the Consulting Period, Executive shall not be an employee of the Company and shall not be entitled to receive any fringes, perquisites or benefits from the Company except as expressly provided otherwise in this Agreement.

(c) During the Consulting Period, the Company shall pay or reimburse Executive for reasonable out-of-pocket expenses incurred in connection with Executive's performance of the Consulting Services, upon presentation of written documentation thereof in accordance with Company expense reimbursement policies.

(d) During the Consulting Period, Executive agrees not to engage in, or carry on, directly or through any representative or affiliate, either for itself or as a member of a partnership or as a stockholder, investor, officer or director of a corporation or as an employee, agent, associate, adviser or consultant to or of any person, partnership, corporation or other entity, any business that is competitive with a business that the Company is engaged in, or to the knowledge of Executive contemplates being engaged in, as of the Retirement Date; *provided* that nothing in this provision shall restrict Executive from Executive's passive ownership of up to 2% of a publicly traded stock in one or more public companies engaged in a competing business. For the avoidance of doubt, any breach of this clause (d) shall constitute a material breach of this Agreement.

(e) In the event of Executive's material breach of this Agreement, the Company may terminate the Consulting Period if Executive has not cured such breach within 15 days after the Company provides written notice to Executive of such breach, and upon such termination, the Company shall have no further obligations hereunder and any unvested portion of the New Equity Grant shall be cancelled immediately.

(f) In the event the Company terminates the Consulting Period prior to December 31, 2012 (other than as a result of a material breach by Executive of this Agreement, Executive's death or Disability or a Change in Control where this Agreement is not assumed by an acquiror), the Company shall continue to pay any amounts due under Section 4 (and recognize any applicable continued vesting of the New Equity Grant) through December 31, 2012.

#### 6. Covenants by Executive.

(a) Executive agrees that he will not seek or accept a nomination to the Board following Executive's resignation from the Board on the Retirement Date.

(b) During the Consulting Period, Executive agrees to continue to be bound by the Company's Corporate Code of Conduct as currently in effect. In the event of any conflict or inconsistency between the terms of this Agreement and the terms of the Company's Corporate Code of Conduct, the terms of this Agreement shall control.

(c) During the Consulting Period, Executive will not, directly or indirectly recruit, solicit or induce, or attempt to induce, any employee, consultant or vendor of the Company or its affiliates to terminate employment or any other relationship with the Company or its applicable affiliate.

(d) Executive agrees not to disclose any Confidential Information gained during or as a result of his employment by or service to the Company. “Confidential Information” means any information that is, or should reasonably be understood to be, confidential or proprietary to the Company, including, but not limited to all information, whether in written, oral, electronic, magnetic, photographic or any other form, that relates to the Company’s: past, present and future businesses, products, product specifications, designs, drawings, concepts, samples, intellectual property, inventions, know-how, sources, costs, pricing, technologies, customers, vendors, other business relationships, business ideas and methods, distribution methods, inventories, manufacturing processes, computer programs and systems, employees, employee salary information, hiring practices, operations, marketing strategies and other technical, business and financial information. Confidential Information also includes the identity, capabilities and capacity of vendors and of former vendors or others that were considered but rejected. Notwithstanding the foregoing, Confidential Information shall not include information that: (i) has entered the public domain without Executive’s breach of any obligation owed to the Company; (ii) is “generally known” as contained in California Civil Code Section 3426; or (iii) is rightfully received by Executive from a third party without confidentiality restrictions.

(e) During the Consulting Period, Executive agrees to refrain from any disparaging or negative statements or comments about the Company and its employees, officers, and directors, including, without limitation, the business, products, intellectual property, financial standing, or employment/compensation/benefit practices of the Company, and the Company agrees to refrain from any disparaging or negative statements or comments about Executive; *provided* that the foregoing shall not be construed to prevent either party from testifying truthfully before any court, tribunal or other legal proceeding. Executive understands that the Company’s non-disparagement obligations under this section extend only to the Company’s Board of Directors and officers that report directly to the CEO and only for so long as each individual is an employee or director of the Company.

(f) Executive agrees, upon one or more requests from the Company, to deliver to it all documents and materials, of whatever nature, relating to the Company, its products and/or its services, including reports, files, memoranda, records, software, credit cards, door and file keys, computers, computer access codes, disks and instructional manuals and other physical or personal property which Executive received, prepared or helped prepare in connection with Executive’s employment with the Company. Executive further agrees that he will not keep any copies or excerpts of any of the above items, other than personal items of continuing utility to Executive.

(g) Notwithstanding any other provision of this Agreement, in the event of a breach or threatened breach by Executive of any provision of this Section, Executive and the Company agree that the Company shall be entitled to injunctive and declaratory relief from a court of competent jurisdiction to restrain Executive from committing such breach of this Agreement.

## 7. Defined Terms.

(a) For purposes of this Agreement, a “Change in Control” means the occurrence of any of the following:

(i) any “Person” or “Group”, as such terms are defined in Section 13(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules and regulations promulgated thereunder, becomes the “Beneficial Owner” (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company, or of any entity resulting from a merger or consolidation involving the Company, representing more than fifty percent (50%) of the combined voting power of the then outstanding securities of the Company or such entity; or

(ii) the consummation of (x) a merger, consolidation or reorganization to which the Company is a party, whether or not the Company is the Person surviving or resulting therefrom, or (y) a sale, assignment, lease, conveyance or other disposition of all or substantially all of the assets of the Company, in one transaction or a series of related transactions, to any Person other than the Company; *provided* that no transaction shall constitute a “Change in Control” under this subparagraph (ii) if the Persons who were the shareholders of the Company immediately before the consummation of such Transaction are the Beneficial Owners, immediately following the consummation of such Transaction, hold fifty percent (50%) or more of the combined voting power of the then outstanding voting securities of the Person surviving or resulting from any merger, consolidation or reorganization referred to in clause (x) above in this subparagraph (ii) or the Person to whom the assets of the Company are sold, assigned, leased, conveyed or disposed of in any transaction or series of related transactions referred in clause (y) above in this subparagraph (ii), in substantially the same proportions in which such Beneficial Owners held voting stock in the Company immediately before such Transaction;

*provided* that in any case such Change in Control constitutes a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the Company’s assets, each within the meaning of Section 409A (as defined below).

(b) “Disability” is defined as any one or more of the following: (i) Executive being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last for a continuous

period of not less than twelve (12) months; or (ii) Executive has been determined to be totally disabled by the Social Security Administration.

8. Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs (in the case of Executive) and permitted assigns. This Agreement is personal to Executive and neither this Agreement nor any rights hereunder may be assigned by Executive. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or pursuant to a sale of all or substantially all of the assets of the Company, provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law.

9. Mediation and Arbitration. Any controversy, dispute, or claim between the parties to this Agreement, including any claim arising out of, in connection with, or in relation to the formation, interpretation, performance or breach of this Agreement shall be referred to mediation, with a mediator, jointly selected by the parties, and with the cost of such mediation evenly split between the parties. Should the mediator thereafter declare that the mediation has failed despite the good faith efforts of the parties, all remaining controversies, disputes or claims shall be settled exclusively by arbitration, before a single arbitrator, in the County of San Francisco, in accordance with the Commercial Rules of Judicial Arbitration and Mediation Services.

10. Notice. Any notice to either party hereunder shall be in writing, and shall be deemed to be sufficiently given to or served on such party, for all purposes, if the same shall be personally delivered to such party, or sent to such party by registered mail, postage prepaid, at, in the case of the Company, the address first given above and, in the case of Executive, his principal residence address as shown in the records of the Company. Notices to the Company shall be addressed to the General Counsel. Either party hereto may change the address to which notices are to be sent to such party hereunder by written notice of such new address given to the other party hereto. Notices shall be deemed given when received if delivered personally or three days after mailing if mailed as aforesaid.

11. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California applicable to contacts to be performed therein.

12. Tax Withholding. The Company shall withhold from any payments made to Executive under this Agreement (including without limitation any benefits or payments under Sections 2, 3, 4 and 5 hereof) any amounts determined by the Company to be required to be withheld by applicable federal, state or local tax law.

13. Miscellaneous.

(a) The Company shall pay Executive's reasonable attorney's fees in connection with the negotiation of this Agreement, in an amount not to exceed \$25,000.

(b) Executive acknowledges that he has received, or had the opportunity to receive, independent legal advice from legal counsel of his choice prior to executing this Agreement and that he has not relied on any representations or statements made by the Company that are not specifically set forth in this Agreement.

(c) This Agreement represents the entire understanding of the parties hereto with respect to the matters set forth herein and supersedes any prior understandings or agreements between the parties with respect thereto. The terms and provisions of this Agreement may not be modified or amended except in a writing signed by both parties. If any provision of this Agreement shall be judicially determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. Notwithstanding the foregoing, and except as expressly provided in this Agreement, nothing herein modifies the Aircraft Lease Agreement, the Pre-2005 Executive Deferral Plan, the Indemnification Agreement between Executive and the Company, or any agreement with any affiliate of Executive related to the Company's Memphis-based distribution facilities.

(d) No waiver by either party of any breach by the other party of any condition or provision contained in this Agreement to be fulfilled or performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Except to the extent otherwise specifically provided herein, any waiver must be in writing and signed by Executive or, on behalf of the Company, by the Company's Chief Executive Officer (except that before the Retirement Date, such waiver must be signed by another authorized officer of the Company determined by the Board), as the case may be.

(e) Nothing in this Agreement shall be construed as prohibiting the Company from, pursuing any other, remedy or remedies not specified herein, including, without limitation, the recovery of damages.

(f) Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefits payable under this Agreement following his death by giving the Company written notice thereof in accordance with applicable Company policies. In the event of Executive's death or a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative.

#### 14. Section 409A.

(a) Notwithstanding anything to the contrary in this Agreement, no Deferred Compensation Separation Benefits payable under this Agreement will be considered due or payable until and unless Executive has a "separation from service" within the meaning of Section 409A of the U.S. Internal Revenue Code of 1986, as amended and the final regulations and any guidance promulgated thereunder, as each may be amended from time to time (together, "Section 409A"). The parties acknowledge that they believe that

Executive will have such a “separation from service” on the Retirement Date. Any benefits payable pursuant to this Agreement following a “separation from service” that may be considered deferred compensation under Section 409A (together, the “Deferred Compensation Separation Benefits”) and are otherwise due to Executive on or within the six-month period following Executive’s “separation from service” will accrue during such six-month period and will instead become payable in a lump sum payment on the date six-months and one day following the date of Executive’s “separation from service.” All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. Notwithstanding anything herein to the contrary, if Executive dies following his “separation from service” but prior to the six-month anniversary of the date of his “separation from service,” then any Deferred Compensation Separation Benefits delayed in accordance with this Section will be payable in a lump sum as soon as administratively practicable after the date of Executive’s death, but not later than ninety days after the date of Executive’s death, and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit.

(b) To the extent that any payments or benefits hereunder which provide for reimbursements of expenses, in-kind benefits or legal fees would be considered deferred compensation under Section 409A, such payments shall be made on or before the last day of the calendar year following the calendar year in which the relevant expense is incurred, and the amount of reimbursable expenses or in-kind benefits available during a calendar year may not affect the amount of reimbursable expenses or in-kind benefits available in any other calendar year.

(c) It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply.

IN WITNESS WHEREOF, the undersigned parties have caused this Amendment to be executed as of the date first set forth above.

WILLIAMS-SONOMA, INC.

By: /s/ Adrian D.P. Bellamy  
Name: Adrian D.P. Bellamy  
Title: Lead Independent Director

EXECUTIVE

/s/ W. Howard Lester  
W. Howard Lester

## EXHIBIT A

### Mutual Release of Claims

This Mutual Release of Claims (this “Release”) is entered into in connection with the Retirement and Consulting Agreement dated January 25, 2010 (the “Agreement”) between Howard Lester (“Executive”) and Williams-Sonoma, Inc. (the “Company”).

1. Except for claims arising out of the promises contained in the Agreement, any and all Claims (as defined below), which Executive may have against WSI (as defined below) and which WSI may have against Executive arising out of Executive’s employment with WSI or the termination of that employment, are fully and completely settled, and all liability or potential liability arising out of any such Claim is hereby released. “Claims,” as used in this Release, shall include but not be limited to those based upon or arising out of any alleged violation of Executive’s civil rights, wrongful discharge, breach of contract, tort, common law, statutory and constitutional claims, or any state, local or federal statute (including, but not limited to, the California Fair Employment and Housing Act; the Americans with Disabilities Act; Title VII of the Civil Rights Act of 1964, as amended; the Fair Labor Standards Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act; the Sarbanes-Oxley Act of 2002; the Family and Medical Leave Act; the California Family Rights Act; the California Labor Code, except as prohibited by law) and any other law prohibiting race, sex, sexual orientation, age, national origin, religion, disability, or discrimination or harassment. “WSI,” as used in this Release, shall include, in addition to the Company, any predecessor, successor, parent, subsidiary or affiliate of Williams-Sonoma, Inc. or any officer, director, employee, shareholder or affiliate of it, including any attorneys, advisors, or authorized agents thereof.

2. Each party acknowledges that it is its intention to fully and finally resolve and release the other party for any and all Claims, known or unknown, which may exist against the other party and recognizes that it may later discover facts in addition to or different from those which it now knows or believes to be true. In furtherance of this intention, each of Executive and the Company agrees to waive and relinquish any and all rights and benefits afforded by Section 1542 of the Civil Code of the State of California which provides as follows:

**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**

Notwithstanding the foregoing, WSI does not release Executive from any unknown Claims relating to any intentional misconduct constituting fraud, misappropriation of trade secrets, embezzlement or other intentionally unlawful conduct.

3. In addition to the release set forth above, Executive voluntarily and knowingly waives all rights or claims arising under the Federal Age Discrimination in Employment Act (the “ADEA”). This waiver is given only in exchange for consideration set forth in the Agreement

that is in addition to anything of value to which Executive is entitled. This waiver does not waive rights or claims that may arise under the ADEA after the date of execution of this Release. Executive acknowledges that:

- (a) this Release is written in a manner calculated to be understood by Executive,
- (b) Executive has been advised in writing to consult with an attorney before executing this Release,
- (c) Executive is being given a period of 21 days within which to consider this Release, and
- (d) to the extent Executive executes this Release before the expiration of the 21-day period, Executive does so knowingly and voluntarily.

Executive will have the right to cancel and revoke this Release during a period of 7 days following his execution of it. In order to cancel and revoke this Release, Executive must deliver to WSI, prior to the expiration of the 7-day period, a written notice of cancellation and revocation. Notwithstanding anything to the contrary in this Release, any rights to indemnification for third-party claims to which Executive is entitled in his capacity as an officer or director of WSI shall be unaffected by this Release.

4. Executive understands and agrees that to the fullest extent permitted by law, Executive is precluded from filing or pursuing any legal claim of any kind against WSI at any time in the future, in any federal, state or municipal court, administrative agency or other tribunal, arising out of any of the claims that Executive has waived by virtue of executing this Release. Executive agrees not to file or pursue any such legal claims.

\_\_\_\_\_  
(Executive's Signature)

Dated:

## EXHIBIT B

### Outstanding Equity Awards (as of January 25, 2010)

<u>Type of Award</u>	<u># Outstanding</u>	<u>Grant Date</u>	<u># Unvested</u>	<u>Grant Price</u>	<u>Maximum Expiration Date</u>
Stock Option	300,000	3/7/00	0	\$9.4688	3/7/10
Stock Option	100,000	4/25/00	0	\$15.00	4/25/10
Stock Option	100,000	3/27/01	0	\$13.66	3/27/11
Stock Option	12,500	6/30/04	0	\$32.39	6/30/14
Stock Option	12,500	5/27/05	2,500	\$38.84	5/27/15
SAR	400,000	1/12/07	0	\$34.64	1/12/16
SAR	425,000	11/7/08	318,750	\$8.56	11/7/18
RSU	35,195	10/28/08	35,195	\$0	n/a
RSU (the "LTP Grant")	249,501	1/25/10	249,501	\$0	n/a

**WILLIAMS–SONOMA, INC. 2001 LONG-TERM INCENTIVE PLAN**  
**RESTRICTED STOCK UNIT AWARD AGREEMENT**

**Name:** Howard Lester      **Employee ID#:** 20031  
**Award Date:** January 25, 2010      **Award Date FMV:** \$5,000,000  
**Number of RSUs:** 249,501

1. **Award.** Williams-Sonoma, Inc. (the “Company”), has awarded you the number of Restricted Stock Units indicated above. Each Restricted Stock Unit entitles you to receive one share of common stock (“Common Stock”) of the Company upon the terms and subject to the conditions set forth in the Company’s 2001 Long-Term Incentive Plan (the “Plan”) and this Restricted Stock Unit Award Agreement (the “Agreement”). Prior to the distribution of any shares of Common Stock, this Award represents an unsecured obligation, payable only from the general assets of the Company.
2. **Vesting.** Subject to any acceleration provisions contained in the Plan or this Agreement, the Restricted Stock Units subject to this Award will vest in full on the fourth anniversary of the Award Date, subject to your continued employment through each relevant vesting date.

Subject to the provisions of Sections 5 and 9, shares of Common Stock will be issued in payment of the Award as soon as practicable after vesting (but in each such case no later than the date that is two-and-one-half months from the end of the Company’s tax year that includes the vesting date), net of shares of Common Stock withheld by the Company to satisfy the minimum statutorily required federal, state and local withholding obligations, as provided in Section 6. You will have no right to receive shares under this Award unless and until the Restricted Stock Units vest.

Shares of Common Stock payable to you under this Award will be issued to you or, in case of your death, your beneficiary designated in accordance with the procedures specified by the Administrator. If, at the time of your death, there is not an effective beneficiary designation on file or you are not survived by your designated beneficiary, the shares will be issued to the legal representative of your estate. Any such transferee must furnish the Company with (i) written notice of his or her status as transferee, and (ii) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to such a transfer.

**3. Termination and Certain Transactions.**

- (a) If you cease to be employed due to your death, Disability (as defined below) or Retirement (as defined below), then as of the last business day of the month in which such termination of employment occurs, you will become immediately vested in any Restricted Stock Units that have not previously vested. In such event, all shares underlying any remaining Restricted Stock Units shall be delivered as of the last business day of the month in which such termination of employment occurs, subject to the provisions of Section 9 below.
  - a. “Disability” is defined as any one or more of the following: (i) your being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last for a continuous period of not less than twelve (12) months; (ii) you are, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under the Company's accident and health plan covering the Company's employees; or (iii) you have been determined to be totally disabled by the Social Security Administration.
  - b. “Retirement” is defined as your termination of employment for a reason other than Disability or death subsequent to your having attained age 70 and having been employed by the Company for at least 10 years. Notwithstanding the preceding sentence, a termination will not be considered a Retirement if you are terminated for “Cause” by the Company. For this

purpose, "Cause" shall be defined as (i) embezzlement, theft or misappropriation by you of any property of any of the Company or its affiliates; (ii) your breach of any fiduciary duty to the Company or its affiliates; (iii) your failure or refusal to comply with laws or regulations applicable to the Company or its affiliates and their businesses or the policies of the Company and its affiliates governing the conduct of its employees or directors; (iv) your gross incompetence in the performance of your job duties; (v) commission by you of a felony or of any crime involving moral turpitude, fraud or misrepresentation; (vi) your failure to perform duties consistent with a commercially reasonable standard of care; (vii) your failure or refusal to perform your job duties or to perform specific directives of your supervisor or designee, or the senior officers or Board of Directors of the Company; or (viii) any gross negligence or willful misconduct by you resulting in loss to the Company or its affiliates, or damage to the reputation of the Company or its affiliates.

4. **Rights as Shareholder.** Except as provided by Section 11, neither you nor any person claiming under or through you will have any of the rights or privileges of a shareholder of the Company in respect of any shares of Common Stock deliverable hereunder unless and until certificates representing such shares (which may be in book entry or other electronic form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to you (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, you will have all the rights of a shareholder of the Company with respect to voting such shares and receipt of dividends and distributions on such shares.
5. **Deferral.** If permitted by the Administrator, the issuance of the Common Stock issuable with respect to this Award may be deferred upon such terms and conditions as determined by the Administrator, subject to the Administrator's determination that any such right of deferral or any term thereof complies with applicable laws or regulations in effect from time to time, including but not limited to Section 409A (as defined below). If you have elected to defer receipt of your shares of Common Stock such that this Award is subject to Section 409A, and if the Administrator, in its discretion, accelerates the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units subject to this Award, the payment of such accelerated portion of the Award nevertheless will be delivered to you on the same dates specified in your deferral election, except as provided by Section 10 and subject to any six (6) month delay that may be required pursuant to Section 9.
6. **Tax Withholding.** The Company will withhold from the number of shares of Common Stock otherwise issuable under this Award a number of shares of Common Stock that have an aggregate market value sufficient to satisfy the minimum statutorily required federal, state and local tax withholding obligations. Shares will be valued at their Fair Market Value when the taxable event occurs. The number of shares of Common Stock withheld pursuant to this Section 6 will be rounded up to the nearest whole share, with no refund provided in the U.S. for any value of the shares withheld in excess of the tax obligation as a result of such rounding, pursuant to such procedures as the Administrator may specify from time to time.

Notwithstanding any contrary provision of this Agreement, no shares of Common Stock will be issued unless and until all income, employment and other taxes which the Company determines must be withheld or collected with respect to such shares have been withheld or collected. In addition and to the maximum extent permitted by law, the Company (or the employing Parent or Subsidiary) has the right to retain without notice from salary or other amounts payable to you, cash having a sufficient value to satisfy any tax withholding obligations that the Company determines cannot be satisfied through the withholding of otherwise deliverable shares. All income and other taxes related to the Restricted Stock Units and any shares delivered in payment of such Restricted Stock Units are your sole responsibility.

7. **Nontransferable.** You may not sell, assign, pledge, encumber or otherwise transfer any interest in the Restricted Stock Units or the right to receive dividend equivalents except as permitted by the Plan.
8. **Other Restrictions.** The issuance of Common Stock under this Award is subject (i) to compliance by the Company and you with all applicable legal requirements, including tax withholding obligations, (ii) to compliance with all applicable regulations of any stock exchange on which the Common Stock may be listed at the time of issuance, (iii) to the completion of any registration or other qualification of such shares of Common Stock under any U.S. state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, (iv) the obtaining of any

approval or other clearance from any U.S. state or federal governmental agency, which the Administrator shall, in its absolute discretion, determine to be necessary or advisable, and (v) the lapse of such reasonable period of time following the date of vesting of the Restricted Stock Units as the Administrator may establish from time to time for reasons of administrative convenience. The Company may delay the issuance of shares of Common Stock under this Award to ensure at the time of issuance there is a registration statement for the shares in effect under the Securities Act of 1933.

9. **Section 409A.** Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with your Retirement or other termination of employment (provided that such termination is a “separation from service” within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) you are a “specified employee” within the meaning of Section 409A at the time of such termination and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to you on or within the six (6) month period following your termination of employment, then the payment of such accelerated Restricted Stock Units otherwise payable to you during such six (6) month period will accrue and will be paid to you on the date six (6) months and one (1) day following the date of your termination of employment, unless you die following your termination of employment, in which case the Restricted Stock Units will be paid in shares of Common Stock to your estate as soon as practicable following your death. It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the Restricted Stock Units provided under this Agreement or shares of Common Stock issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. For purposes of this Agreement, “Section 409A” means Section 409A of the Internal Revenue Code of 1986, as amended, and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

## 10. Transactions.

- (a) **General Rule for Transaction.** In the event of a Transaction, if you have not elected to defer receipt of your shares of Common Stock and you are not eligible for Retirement, the then-unvested Restricted Stock Units subject to this Award will be treated pursuant to Section 17 of the Plan, subject to the provisions of Section 9 hereof.
- (b) **Transaction Following Share Deferral or Becoming Retirement-Eligible.** In the event of a Transaction that qualifies as a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the Company’s assets, each within the meaning of Section 409A (each, a “409A Change of Control”):
- (i) If you have elected to defer receipt of your shares of Common Stock such that this Award is subject to Section 409A, your deferral shall cease immediately upon the Transaction. In such event, the shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable in connection with the vested portion of this Award will be delivered to you as soon as practicable following the date on which such Transaction is consummated.
  - (ii) If you are eligible for Retirement, the shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable in connection with the vested portion of this Award will be delivered to you as soon as practicable following the date on which such Transaction is consummated, and the unvested portion of this Award shall continue to vest on the same dates specified under the terms of this Agreement regardless of any acceleration of the vesting of such Restricted Stock Units which may occur in connection with the Transaction (other than any acceleration pursuant to Section 3 hereof).

In the event of a Transaction that does not qualify as a 409A Change of Control, then, subject to Section 9, the shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable in connection with the vested portion of this Award will be delivered to you on the same dates specified in your deferral election or, if you are eligible for Retirement, on the same dates specified under the terms of this Agreement, regardless of any acceleration of the vesting of such Restricted Stock Units which may occur in connection with the Transaction.

- 11. Dividend Equivalents.** During the period beginning on the Award Date as indicated above and ending on the date that the Restricted Stock Unit is settled or terminates, whichever occurs first, you will accrue cash payments based on the cash dividend that would have been paid on the Restricted Stock Unit had the Restricted Stock Unit been an issued and outstanding share of Common Stock on the record date for the dividend. Such accrued dividends will vest and become payable upon the same terms and at the same time as the Restricted Stock Units to which they relate, including any delay in payment to which the related Restricted Stock Units may be subject pursuant to Section 9. Dividend equivalent payments will be net of federal, state and local withholding taxes.
- 12. Binding Agreement.** Subject to the limitation on the transferability of this Award contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of you and the Company, as applicable.
- 13. Restrictions on Sale of Securities.** The shares of Common Stock issued as payment for vested Restricted Stock Units under this Agreement will be registered under U.S. federal securities laws and will be freely tradable upon receipt. However, your subsequent sale of the shares may be subject to any market blackout-period that may be imposed by the Company and must comply with the Company's insider trading policies, and any other applicable securities laws.
- 14. Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to Restricted Stock Units awarded under the Plan or future Restricted Stock Units that may be awarded under the Plan by electronic means or request your consent to participate in the Plan by electronic means. By accepting this Award, you hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through any on-line or electronic system established and maintained by the Company or another third party designated by the Company.
- 15. Captions.** Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.
- 16. Address for Notices.** Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of its Stock Plan Administrator, at 3250 Van Ness Avenue, San Francisco, CA 94109 USA, or at such other address as the Company may hereafter designate in writing.
- 17. Agreement Severable.** In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement will continue in full force and effect.
- 18. Modifications to the Agreement.** This Agreement constitutes the entire understanding of the parties on the subjects covered. You expressly warrant that you are not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the parties agree to work in good faith to revise this Agreement as necessary or advisable to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection to this Award of Restricted Stock Units.
- 19. Governing Law.** This Agreement shall be governed by the laws of the State of California, without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Award of Restricted Stock Units or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation shall be conducted in the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Award of Restricted Stock Units is made and/or to be performed.
- 20. Additional Provisions.** This Award is subject to the provisions of the Plan. Capitalized terms not defined in this Agreement are used as defined in the Plan. If the Plan and this Agreement are inconsistent, the provisions of the Plan will govern. Interpretations of the Plan and this Agreement by the Committee are binding on you and the Company.

**21. No Employment Agreement.** Neither the award to you of the Restricted Stock Units nor the delivery to you of this Agreement or any other document relating to the Restricted Stock Units will confer on you the right to continued employment with or other service to the Company or any Parent or Subsidiary. You agree that this Agreement, the transactions contemplated hereunder and the vesting schedule set forth herein do not constitute an express or implied promise of continued employment or service for the vesting period, for any period, or at all, and will not interfere in any way with your right or the right of the Company (or the Parent or Subsidiary employing or retaining you) to terminate your employment or other service relationship at any time, with or without cause or notice.

# WILLIAMS-SONOMA, INC.

## PRESS RELEASE

WILLIAMS-SONOMA, INC.  
3250 Van Ness Avenue  
San Francisco, CA 94109

## FOR IMMEDIATE RELEASE

### **Williams-Sonoma, Inc. Announces that Howard Lester, Chairman and CEO, Will Retire in May 2010 After Leading the Company for 31 Years**

*Board of Directors Announces its Intention to Appoint Laura Alber as CEO*

San Francisco, CA, January 26, 2010 – Williams-Sonoma, Inc. (NYSE: WSM) today announced that Howard Lester will retire from his position as Chairman and Chief Executive Officer and as a member of the Board at the May 2010 annual shareholders' meeting. He will continue, however, to assist the company in a consulting and advisory role through December 2012 and have the title of Chairman Emeritus.

Mr. Lester has led the company since 1978 when he purchased it from its founder, Chuck Williams. At that time, the company had four stores, a small catalog and \$4 million in revenue. Through his vision and leadership, the company has been transformed into one of the largest multi-channel specialty retailers in the world, with six e-commerce websites, seven catalogs, and over 600 stores spanning the United States, Canada, Puerto Rico and soon the Middle East.

Upon Mr. Lester's retirement, the Board intends to appoint Laura Alber as the company's Chief Executive Officer as well as a nominee to the Board of Directors. Ms. Alber joined the company in 1995 and was appointed to her current role as President in 2006. Under her leadership, several of the company's most impressive growth strategies have been incubated, including the creation of Pottery Barn Kids, Pottery Barn Bed + Bath, and PBteen, and the company's expansion into the Middle East. She has also played an instrumental role in the company's global supply chain, distribution, and logistics strategies, which are successfully increasing product quality, improving customer service, and driving down costs.

The Board intends to appoint Adrian Bellamy, the current Lead Independent Director, as non-executive Chairman of the Board upon his re-election at the company's 2010 annual shareholders' meeting. Mr. Bellamy joined the Board in 1997. Mr. Bellamy has extensive experience in retail as both an executive and as a board member, having served as Chairman and CEO of DFS Group Ltd. for 12 years and on the boards of Gucci Group N.V. and The Body Shop. He also currently serves as a Director of Gap Inc. and is Chairman and Director of Reckitt Benckiser plc.

The Board intends to renominate Pat Connolly, Executive Vice President and Chief Marketing Officer, and a Director since 1983, to the Board at the 2010 annual shareholders' meeting.

In addition, the Board intends to include Sharon McCollam as a nominee to the Board in May 2010. Ms. McCollam has been a strategic and financial leader of the company since 2000 and has served as Executive Vice President, Chief Operating and Chief Financial Officer since 2006. In partnership with the executive team, she has successfully shepherded the company through both high-growth and recessionary times and organizationally aligned shareholders' interests with the company's strategic initiatives.

Mr. Lester commented, "It has been an extraordinary privilege to lead this wonderful company for the past 31 years but an even greater privilege to watch the passion of our 27,000 associates delight our customers every day and together take our vision to a place that we could have only dreamed. I continue to be amazed by the creativity and entrepreneurship that lives within our culture. Today's announcement is the culmination of the long-term succession plan we set in motion upon my reappointment as CEO in July 2006. I could not be more proud of what we have built and have complete confidence that the company will continue to thrive under the leadership team headed by Laura."

Ms. Alber stated, "It is an exceptional honor to follow in the footsteps of one of the most highly esteemed executives in retail. Howard has been an outstanding mentor, and he is retiring at a time when the foundation of the company has never been stronger. We are confident in our direction and, together with the leadership team, ready to execute against those strategies that will grow and improve our businesses, deliver great products and services to our customers, and enhance shareholder value."

Mr. Bellamy remarked, "Williams-Sonoma is what it is today because of Howard's vision, boldness, and philosophy on what it takes to make a retail company great – judging your performance by how your customer judges you. He is an icon in the industry and is leaving the company with a highly experienced management team, great momentum, and a legacy of core values on which the company was built. We thank him for his many years of service as Chairman and CEO and are looking forward to his continued involvement as an advisor."

#### **Fourth Quarter and Fiscal Year 2009 Financial Guidance**

The company is reiterating its January 14, 2010 published GAAP and non-GAAP EPS guidance ranges for the fourth quarter and fiscal year 2009, inclusive of an approximate \$0.03 per diluted share charge associated with a restricted stock unit award to Mr. Lester as described in today's Form 8-K filing.

#### **ABOUT WILLIAMS-SONOMA, INC.**

Williams-Sonoma, Inc. is a specialty retailer of high quality products for the home throughout the United States, Canada and Puerto Rico. These products, representing six distinct merchandise strategies – Williams-Sonoma, Pottery Barn, Pottery Barn Kids, PBteen, West Elm and Williams-Sonoma Home – are marketed through 630 stores, seven direct mail catalogs and six e-commerce websites.

#### **FORWARD-LOOKING STATEMENTS**

This press release contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not fully materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include statements related to the company's intended executive and Board changes, the company's expansion into the Middle East, and the company's future financial guidance. The risks and uncertainties that could cause our results to differ materially from those expressed or implied by such forward-looking statements include the risk that the intended executive and Board changes, and Middle East expansion, will not occur as currently expected, accounting adjustments as we close our books for Q4 09, and other risks and uncertainties described more fully in our public announcements, reports to shareholders and other documents filed with or furnished to the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended February 1, 2009 and all subsequent current reports on Form 8-K and quarterly reports on Form 10-Q. All forward-looking statements in this press release are based on information available to us as of the date hereof, and we assume no obligation to update these forward-looking statements.

#### **CONTACT:**

Leigh Oshirak  
Director, Public Relations  
(415) 733-3168

Stephen C. Nelson  
Director, Investor Relations  
(415) 616-8754

Meryl L. Schreiberstein  
Investor Relations Administration  
(415) 616-8332

###