

**CHARTER OF THE  
COMPENSATION COMMITTEE  
OF  
COST PLUS, INC.**

**Revised February 26, 2004**

**PURPOSE:**

The Board of Directors of Cost Plus, Inc. (the “Board” and the “Company”, respectively) has established a Compensation Committee in order to (a) discharge the Board’s responsibilities for approving and evaluating the officer compensation plans, policies and programs of the Company, (b) review and make recommendations to the Board regarding compensation to be provided to the Company’s employees and directors, and (c) to make grants and otherwise administer the equity compensation plans of the Company. The Compensation Committee has the authority to undertake the specific duties and responsibilities listed below and will have the authority to undertake such other specific duties as the Board from time to time prescribes.

**STATEMENT OF PHILOSOPHY**

The philosophy of the Compensation Committee is to provide competitive compensation in order to attract and retain highly qualified directors, officers and employees.

**COMMITTEE MEMBERSHIP AND ORGANIZATION:**

The members of the Compensation Committee will be appointed by the Board. Compensation Committee members will serve at the discretion of the Board. The Compensation Committee shall consist of no fewer than two members. Each member of the Compensation Committee shall be (i) an independent director as defined by the applicable listing standards of The Nasdaq Stock Market and applicable federal laws, (ii) a “non-employee director” as defined by Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and (iii) an “outside director” as defined by Section 162(m) of the Internal Revenue Code of 1986, as amended.

**RESPONSIBILITIES**

The responsibilities of the Compensation Committee shall be to:

- (i) Unless otherwise determined by a majority of the independent directors of the Board meeting in executive session, review and approve decisions regarding the compensation of the Chief Executive Officer of the Company (the “CEO”);

- (ii) Review and approve decisions regarding the compensation of the officers of the Company other than the CEO, and such other employees of the Company as directed by the Board, including for each such individual: (a) the annual base salary, (b) the annual incentive bonus, (c) equity compensation, (d) employment agreements, severance arrangements, and change in control agreements/provisions, and (e) any other benefits, compensation or arrangements;
- (iii) Review and make recommendations to the Board regarding general compensation goals and guidelines for the Company's employees and the criteria by which bonuses and stock compensation awards to the Company's employees are determined;
- (iv) Act as Administrator of any of the Company's equity compensation plans adopted by the Board (the "Plans") within the authority delegated by the Board. In its administration of the Plans, the Compensation Committee may: (1) grant stock options or stock purchase rights to individuals eligible for such grants (including grants to individuals subject to Section 16 of the Exchange Act in compliance with Rule 16b-3 thereunder); (2) amend such stock options or stock purchase rights; and (3) take all other actions permitted under the Plans;
- (v) Review and make recommendations to the Board with respect to amendments to the Plans and changes in the number of shares reserved for issuance thereunder;
- (vi) Review and make recommendations to the Board regarding other plans that are proposed for adoption or adopted by the Company for the provision of compensation to employees of, directors of and consultants to the Company;
- (vii) Prepare a report to be included in the Company's proxy statement that describes: (a) the criteria on which compensation paid to the CEO for the last completed fiscal year is based, (b) the relationship of such compensation to the Company's performance, (c) the Compensation Committee's executive compensation policies applicable to executive officers, (d) the Company's policies with respect to the \$1 million deduction limit for certain executive compensation imposed by Section 162(m) of the IRC, and (e) any other items required by applicable law or regulation;
- (viii) Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval; and
- (ix) If applicable, authorize the repurchase of shares from terminated employees pursuant to applicable law.

The Compensation Committee may form and delegate authority to subcommittees when appropriate. Specifically, the Compensation Committee shall have the authority to designate a Non-Officer Stock Option Committee with the authority to grant options or stock purchase rights to purchase up to a certain number of shares as set forth in a resolution of the Compensation Committee to each new non-officer employee of the Company. The Non-Officer Stock Option committee shall consist of two (2) members of the Company's Board, one (1) of whom shall be a member of the Compensation Committee. If designated, the Non-Officer Stock Option Committee will establish its own schedule and maintain written

minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant to be used by the Company to assist in the evaluation of the CEO or officer compensation and shall have sole authority to approve the consultant's fees and other retention terms. The Compensation Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

## **MEETINGS**

It is anticipated that the Compensation Committee will meet at least twice each year. However, the Compensation Committee may establish its own schedule, which it will provide to the Board in advance. At a minimum of one of such meetings annually, the Compensation Committee will consider stock plans, performance goals and incentive awards, and the overall coverage and composition of the compensation package.

## **MINUTES**

The Compensation Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

## **REPORTS**

The Compensation Committee will provide written reports to the Board of the Company regarding recommendations of the Compensation Committee submitted to the Board for action, and copies of the written minutes of its meetings.