

# **COST PLUS, INC.**

## **CORPORATE GOVERNANCE GUIDELINES**

Adopted February 26, 2004

*Introductory Note: the Board of Directors of Cost Plus, Inc. has developed corporate governance practices over time to help it fulfill its responsibilities to oversee the actions of management and the performance of the Company. The governance practices are set forth in these guidelines to confirm that the Board will have the requisite authority and processes in place to (i) continually evaluate the Company's business results, (ii) make decisions that are independent of the Company's management and (iii) assure that the interests and actions of directors and management are aligned with those of Cost Plus' shareholders.*

### **Role of the Board of Directors**

The Board of Directors (the "Board") is the ultimate decision-making body of Cost Plus, Inc. ("Cost Plus" or the "Company") except with respect to those matters reserved to the stockholders. The Board selects the Chief Executive Officer and consults with the CEO with respect to the rest of the senior management leadership. The Board acts as an advisor and counselor to senior management and oversees its performance.

### **Composition of the Board**

*Qualification.* The Board consists of a majority of outside directors who meet the criteria for independence established by the SEC and The Nasdaq Stock Market, as amended from time to time. The Nominating Committee considers and makes recommendations to the Board concerning the appropriate size and needs of the Board.

*Term Limits and Retirement.* No term limits are imposed on directors; the Board does not believe that term limits are the best way to maximize the effectiveness of the Board or its Committees. The Board has established no mandatory retirement age for directors. The Nominating Committee will consider age as one factor in conjunction with other factors as part of its nominating function.

*Selection.* The Nominating Committee considers candidates for Board membership. Candidates are selected for their character, judgment, diversity and business experience, among other factors. Final approval of candidates to fill vacancies or for election by the shareholders is determined by the full Board.

*Compensation.* Cost Plus employees serving as directors do not receive additional compensation for their services as directors. The compensation for non-employee directors is competitive with that of other public companies of comparable size. The Compensation Committee annually reviews the compensation of directors and reports its recommendations to the Board.

*Orientation of New Directors.* Cost Plus will conduct an orientation program for new directors, including presentations by senior management with respect to Cost Plus' strategic plans, financial reporting, auditing processes and code of conduct.

*Performance Review.* The Nominating Committee will review each director's performance every year at the time the director is due to stand for reelection.

## **Board Leadership**

*Chairman.* The Chairman of the Board is selected by the Board. The Board may select the Chief Executive Officer as Chairman.

## **Functioning of the Board**

*Meetings.* Directors are expected to attend Board and Committee meetings and to spend the time needed to prepare for a meeting. The Chairman and CEO will establish the agenda for each Board meeting, with the understanding that certain items pertinent to the advisory and monitoring functions of the Board will be brought to it periodically for review and/or decision. Any member of the Board may request that an item be included on the agenda. At a Board meeting any member of the Board may raise a subject that is not on the agenda for that meeting. Materials related to agenda items are to be provided to the Board members sufficiently in advance of the meeting as necessary to allow the members to prepare for discussion of the items at the meeting. Directors are also expected to attend the Annual Meeting of Shareholders.

*CEO Evaluation.* The Compensation Committee will review the performance of the CEO at least annually and report its findings to the Board. The Compensation Committee will establish the long-term and short-term compensation and performance goals for the CEO, unless otherwise determined by a majority of the independent directors.

*Management Succession.* The Board plans for the succession of the Chairman and CEO as well as other senior management positions. To assist the Board, the CEO is required to provide the Board with annual assessments of Cost Plus' senior managers and other persons considered potential successors to the Chairman and/or CEO position and to other senior management positions. In addition, the CEO is required to prepare, on a continuing basis, a short-term succession plan that delineates a temporary delegation of authority to certain officers if any or all of the senior officers should unexpectedly become unable to perform their duties. The short-term plan would be in effect until the Board had the opportunity to consider the situation and take any necessary and appropriate action.

*Access to Management; Independent Advisors.* Directors have unrestricted access to members of management and employees of the Company. The Board may invite executive officers and other members of Cost Plus management to attend all or

portions of Board and Committee meetings. The Board and/or the committees of the Board (but no individual Board member acting alone) also have the ability to hire, at Cost Plus' expense, independent advisors when it is deemed necessary or advisable to do so.

*Executive Sessions.* Executive sessions, or meetings of the independent directors without management present, are held as part of each regularly scheduled Board meeting. The Board shall designate a Lead Director for the executive sessions or meetings.

*Communications with Constituencies.* Management speaks for the Company. Communications about Cost Plus with the press, media and other constituencies (e.g., stockholders, customers, communities, suppliers, creditors, regulators and corporate partners) should be made by management. Individual Board members may from time to time, at the request of the CEO, meet or otherwise communicate with various constituencies of the Company. Additionally, the Board will provide a means for shareholders to communicate with the Board of Directors directly.

## **Committees of the Board**

*Committee Structure.* All major decisions are considered by the full Board. The committee structure of the Board is limited to those committees considered by the Board to be basic to or required for the operation of a publicly owned company. Currently those committees are the Audit Committee, the Nominating Committee and the Compensation Committee. Each committee has its own charter setting forth the purposes of the committee as well as qualifications for committee membership. The members and chairs of these committees will be recommended to the full Board in consultation with the Chairman and CEO.

*Qualification.* All members of the Audit, Nominating and Compensation Committees are independent directors under the criteria established by the SEC and The Nasdaq Stock Market, as amended from time to time.

*Functioning of the Committees.* The chair of each committee determines the frequency and length of the committee meetings and develops the agenda for each meeting. Materials related to agenda items are to be provided to the committee members sufficiently in advance of the meeting where necessary to allow the members to prepare for discussion of the items at the meeting.

## **Amendment**

The Corporate Governance Guidelines are subject to modification from time to time by the Board.