

# **LINENS 'N THINGS, INC.**

## **CORPORATE GOVERNANCE GUIDELINES**

Over time, the Board of Directors of Linens 'n Things, Inc. has developed various practices and policies to assist it in satisfying its oversight responsibilities to the Company and its shareholders. These practices and policies, as well as the additional corporate governance practices being established by the Board pursuant to the following guidelines, are being memorialized in these Corporate Governance Guidelines.

These Corporate Governance Guidelines may be subject to future revisions and additions over time as advisable in order to assist the Board in providing wisdom, experience, strategic guidance, oversight and loyalty to the Company and its shareholders.

### **BOARD COMPOSITION AND RESPONSIBILITIES**

#### **1. Sound Business Judgment and Duty of Loyalty**

The basic responsibility of all directors is to exercise informed business judgment and to act in what each director reasonably believes to be the best interests of Linens and its shareholders. Each director also owes a duty of loyalty to the Company and its shareholders to seek to protect and advance shareholder value and to endeavor to assure the Company's long-term success.

#### **2. Board Size**

The Board should generally have no less than 5 nor more than 8 directors. This number of directors encourages diversity of experience, individual accountability and effective discussion. If appropriate, the Board can determine to increase or decrease its size.

#### **3. Selection of Directors**

The appointment of Board members to newly created directorships or to fill vacancies on the Board shall be the responsibility of the Board, in accordance with the Company's bylaws.

The Corporate Governance and Nominating Committee shall recommend to the Board of Directors candidates for election or appointment as director. The Board delegates the process of identifying and screening director candidates to the Corporate Governance and Nominating Committee in consultation with the Chairman of the Board and other members of the Board. The Board shall establish a process for identifying and evaluating director candidates, including director candidates recommended by shareholders and the procedures to apply to shareholders who wish to submit director candidates for such consideration by the Corporate Governance and Nominating Committee. The Company shall disclose this process in accordance with applicable SEC rules.

The Board shall also establish minimum criteria that must be satisfied by any director candidate to be recommended by the Corporate Governance and Nominating Committee to the Board. The Company shall disclose such criteria in accordance with applicable SEC rules.

After the screening process is complete, the Board nominates appropriate director candidates for election or appointment to the Board upon the recommendation of the Corporate Governance and Nominating Committee.

Shareholders also have the opportunity to nominate directors in accordance with the Company's bylaws and applicable laws and regulations.

#### **4. Assessment of Director Qualifications and Independence**

The Corporate Governance and Nominating Committee works with the Chairman of the Board and all Board members to determine the appropriate characteristics, skills and experience for candidates to the Board. The Board takes into account many factors, including understanding of Linens' business, a candidate's independence, a candidate's educational background, professional background and business experience.

The Corporate Governance and Nominating Committee evaluates each individual in the context of the Board as a whole.

Linens is subject to the New York Stock Exchange ("NYSE") rules and adopts the NYSE independence standards in connection with determining the independence of its Board and Committee members.

#### **5. Outside Board Memberships – Management Directors**

The Chief Executive Officer ("CEO") is to seek the approval of the Board before accepting board memberships with other public companies. Other senior Linens executives are to seek the approval of the CEO before accepting outside board memberships with public companies.

#### **6. Outside Board Memberships – Non-Management Directors**

Linens does not have a policy limiting the number of other public company boards of directors upon which a non-management director may sit. However, each individual director should ensure that membership on another public company's board of directors does not create a real or apparent conflict of interest or impair the director's ability to provide sufficient time to carry out the director's duties to Linens.

#### **7. Retirement Policy**

All Board members must demonstrate that they are mentally and physically able to serve regardless of age.

#### **8. Director Stock Ownership**

Board members are encouraged to own Linens' common stock in an amount that is appropriate for that director's financial circumstances.

## **9. Term Limits**

The Board does not believe it should limit the number of terms for which a Board member may serve as a director. Directors who have served on the Board for an extended period of time are able to provide valuable insight into the operations and future of Linens based on their experience with and understanding of Linens' history, policies and objectives. The Board believes that, as an alternative to term limits, it can ensure that the Board continues to evolve and adopt new viewpoints through the evaluation and nomination process described in these Corporate Governance Guidelines.

## **10. Agenda for Board Meetings**

The Chairman of the Board will establish the agenda for each Board meeting. Each Board member is free to suggest items to be included on the agenda.

## **11. Attendance at Board and Board Committee Meetings and Annual Meeting**

Unless there are mitigating circumstances (such as medical, family or business emergencies), Board members should endeavor to participate (either in person or by telephone) in all Board meetings, all Committee meetings of which the director is a member and to attend the Company's annual meeting of shareholders. Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as a director.

## **12. Distribution and Review of Board and Committee Materials in Advance of Meetings**

Information and data that are important to the Board's understanding of the business to be conducted at a Board or Committee meeting should generally be distributed in writing to the directors at least two (2) business days before the meeting, and directors should review these materials in advance of the meeting.

## **13. Presiding Non-Management Director**

The Company's non-management directors will designate a presiding non-management director, who shall either be one designated non-management director or "rotating" non-management directors, as the Company's non-management directors determine (the "Presiding Non-Management Director"). The Presiding Non-Management Director's duties will include planning and presiding at the executive sessions of the non-management directors and facilitating communications with and among all Board members and for such other duties as the Board shall decide from time to time in order to assist the Board in the fulfillment of its responsibilities.

#### **14. Executive Sessions**

Non-management directors will meet in executive session periodically during the course of each year. The Presiding Non-Management Director will preside at these meetings and this process will be disclosed in the annual proxy statement. Any director may provide the Presiding Non-Management Director with agenda items for discussion at such executive sessions. All “independent” directors shall meet at least once each year in executive session.

#### **15. Director Orientation and Continuing Education**

It is expected that new directors will participate in an orientation program concerning the business and operations of the Company after joining the Board. This orientation will include presentations by Linens’ senior management to familiarize new directors with Linens’ corporate and organizational structure, strategic and operating plans, significant financial, accounting and risk management issues, compliance programs, the Code of Ethics and Business Conduct, principal officers and other material matters and information concerning Linens, its history and its financial position.

Each director is also expected to participate in continuing education programs to maintain the necessary level of expertise, the cost of which will be paid by Linens.

#### **16. Strategic Planning**

Directors will work with the CEO and other members of senior management to establish, review and evaluate long-term strategic and operating plans and policies designed to achieve Linens’ success.

The Board of Directors will review Linens long-term strategic and operating plans on a periodic basis and monitor the effectiveness of management in implementing the long-term strategic and operating plans.

#### **17. Code of Business Conduct and Ethics**

In order to properly perform its oversight responsibilities, the Company will maintain a Code of Business Conduct and Ethics regarding: (a) conflicts of interest, (b) corporate opportunities, (c) confidentiality, (d) fair dealing, (e) protection and proper use of Linens’ assets, (f) compliance with laws, rules and regulations and (g) such other matters as the may be appropriate. The Code of Business Conduct and Ethics should encourage the reporting of unethical or illegal behavior and ensure prompt and consistent action against violations of the Code of Business Conduct and Ethics.

Any waivers of the Code of Business Conduct and Ethics for directors or executive officers may be made only by the Board or a Board committee, if so delegated, and must be promptly disclosed to shareholders in accordance with applicable legal or NYSE requirements.

## **18. Linens' Performance Review**

Board members should spend a significant portion of their Board time evaluating Linens' performance. Regular meetings and/or discussions with the CEO and other senior management provide the opportunity to review and measure performance.

## **19. Related Party Transactions Review**

The Board or the Audit Committee on behalf of the Board shall consider and review all proposed direct and indirect business relationships between Linens' and any director or executive officer or between Linens and any company or business entity in which a director or executive officer has a direct or indirect interest.

## **20. Compliance with Policies and Applicable Laws**

Significant legal compliance policies of Linens should be reviewed with the Board on a regular basis.

## **BOARD COMMITTEES**

### **21. Types of Committees**

The Board will at all times have an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. The Board may periodically form new committees, including ad hoc committees, depending on the circumstances.

- **Audit Committee:** The Audit Committee shall be composed of not less than three members, all of whom shall satisfy the independence requirements of the New York Stock Exchange and applicable federal securities laws. All members of the Audit Committee must be financially literate (as determined in the Board's business judgment) or must become financially literate within a reasonable period of time after appointment to the Audit Committee. At least one (1) member of the Audit Committee must have in the Board's judgment such accounting or related financial management expertise as to satisfy NYSE requirements and qualify as an "audit committee financial expert" in accordance with applicable federal securities laws. The Audit Committee, among other responsibilities, reviews the work of Linens' internal accounting and audit processes and the work of Linens' independent auditors. The Committee has the authority to appoint Linens' independent auditors.
- **Compensation Committee:** The Compensation Committee shall be comprised solely of independent directors. The Compensation Committee, among other responsibilities, keeps informed as to market levels of compensation and, based on evaluations, establishes the compensation levels for senior management, including the CEO. The Compensation Committee shall also oversee the administration of the Company management incentive plan and stock based incentive plan..

- **Corporate Governance and Nominating Committee:** The Corporate Governance and Nominating Committee shall be comprised solely of independent directors. The Corporate Governance and Nominating Committee, among other responsibilities, is responsible for developing, regularly assessing, and making recommendations to the full Board concerning appropriate and effective corporate governance policies and practices applicable to the Company, for recommending to the Board individuals to be nominated as directors, including the evaluation of new candidates as well as current directors, and for overseeing the Company's compliance with legal and regulatory requirements. This Committee also performs other duties as described in these Corporate Governance Guidelines.

## **22. Composition of Committees**

The Board is responsible for the appointment of Committee members and Committee Chairpersons according to criteria that it determines to be in the best interests of Linens and its shareholders.

The members of all Committees of the Board will meet all requirements established by the New York Stock Exchange as well as any criteria established by applicable federal and state law.

## **23. Committee Charters**

Each of the Committees required under these guidelines will have its own charter, which shall be approved by the Board and which will conform to the applicable requirements of the New York Stock Exchange and applicable federal and state law. The charters will set forth the purposes, goals and responsibilities of the Committees. The charters will also provide that each Committee will annually evaluate its own performance.

## **24. Committee Chairpersons**

The Chairperson of each Committee, in consultation with the Committee members, will determine the frequency and length of the Committee meetings consistent with any requirements set forth in the Committee's charter. The Chairperson of each Committee, in consultation with the members of the Committee and Linens' senior management, will develop the Committee's agenda. The Chairperson of each Committee will annually establish the schedule of Committee meetings during the year and, to the extent practicable, agenda subjects for the meetings. The schedule for each Committee will also be furnished to all other directors, who may attend (but may not vote at) any Committee meeting, other than executive sessions of such Committee. At the invitation of the Committee, senior executives of Linens may also attend any Committee meeting, other than executive sessions of the Committee.

## **25. Engagement of Independent Advisors**

The Board and the Board Committees each have the power to hire independent legal, financial or other advisors as they may deem necessary or advisable. Linens will fund all such engagements.

## **DIRECTOR ACCESS TO OFFICERS AND EMPLOYEES**

### **26. Access to Management, Employees and Advisors**

Directors shall have access to all Linens' officers, associates and outside advisors. Any meeting that a director wishes to initiate with one or more of such individuals should generally be arranged through the office of the CEO. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of Linens and will, to the extent not inappropriate under the circumstances, copy the CEO or the Corporate Secretary on any written communications between the director and a Linens' officer or associate.

The Board encourages regular attendance at Board meetings of Linens' senior management as selected and scheduled by the CEO, in order for the senior managers to provide additional insight or information with respect to matters being discussed or under review by the Board.

### **27. Media Relations**

Management generally should speak on behalf of Linens. Directors should refer all inquiries from institutional investors, analysts, the press or customers to the CEO or the CEO's designee.

## **SHAREHOLDER ACCESS TO DIRECTORS**

### **28. Shareholder Communications with Directors**

The Corporate Governance and Nominating Committee will establish a procedure for the Company's shareholders to communicate with the Board. The Company will disclose information regarding this procedure and the methods by which shareholders can communicate with directors in accordance with applicable SEC rules.

## **COMPENSATION**

### **29. Director Compensation**

Linens' philosophy is that compensation for non-management directors should be competitive and should encourage ownership of Linens' stock. The form and amount of director compensation will be determined by the Board in consultation with the Compensation Committee.

Director fees and other compensation for service as a Linens' director, including any additional amounts paid to Committee members and Committee chairs, are the only form of compensation non-management directors may receive from Linens.

## **LEADERSHIP DEVELOPMENT**

### **30. Selection of the Chief Executive Officer**

The Board does not currently require the separation of the offices of Chairman of the Board and CEO.

The Board shall be responsible for selecting the Company's CEO in a manner it determines to be in the best interests of Linens and its shareholders. In doing so, the Board shall consider, among other things, a candidate's experience, understanding of the Company's business, leadership qualities, skills, integrity, reputation in the business community and willingness to devote the necessary time and effort to make Linens successful.

### **31. Formal Evaluation of the CEO**

The Compensation Committee will conduct a review at least annually of the CEO's performance. The Compensation Committee shall also conduct an annual evaluation of all other executive officers of Linens.

### **32. Succession Planning**

The Board will consider CEO succession planning at least annually.

The CEO should periodically report on his evaluations of potential CEO successors, along with a review of any executive management development plans recommended for Linens' executives who are part of the CEO succession planning.

If the CEO should die, become incapacitated, or otherwise become unable to serve as CEO, the Board will consider selecting one of its members or a member of senior management to serve as acting CEO until a successor is appointed. In addition, recognizing that there can be several candidates for a permanent CEO position among Linens' executive officers as well as potential candidates outside of Linens, the Board will initiate a search process, which may include interviewing such officers as it determines to be appropriate. In all cases, the Board will consider, among other things, a candidate's experience, understanding of Linens' business environment, leadership qualities, integrity, reputation in the business community and willingness to devote the necessary time and effort to make Linens successful. In its selection process, the Board may engage such search firms and other professionals as it may deem appropriate.

In connection with succession planning for other senior executive positions within Linens, the CEO shall periodically report to the Board on his evaluation of the capabilities of executives within the Linens' organization who may be candidates to fill other senior positions within Linens, should such positions become vacant. The CEO shall also ensure that a satisfactory system is in effect for education, development and orderly succession of senior and mid-level managers throughout the Company.

### **33. Board Self-Evaluation**

The Board of Directors will conduct an annual self-evaluation to determine whether the Board and its committees are functioning effectively. The Corporate Governance and Nominating Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance. These comments will be discussed with

the Board. The assessment will focus on the Board's contribution to Linens and specifically focus on areas in which the Board or management believes the Board could improve.

Each Committee shall conduct its own annual evaluation of that Committee's performance and shall report on such evaluation to the full Board.