

**Pier 1 Imports**  
**Charters of the Committees of the Board of Directors**  
**Audit Committee**

1. Purpose

The Audit Committee's purpose is (a) to assist the Board of Directors in fulfilling its responsibility to oversee (1) the integrity of the Company's financial statements, (2) the Company's system of internal control, (3) the Company's compliance with legal and regulatory requirements, (4) the independent auditor's qualifications and independence, and (5) the performance of the Company's internal audit function and independent auditors, and (b) to prepare the Audit Committee report that is required by the rules of the SEC to be included in the Company's annual proxy statement, and (c) to discuss the guidelines and policies governing the process by which risk assessment and management is undertaken by the Company. In fulfilling its purpose, the Committee should foster free and open communications among the Directors, the independent auditors, the internal auditors and the financial and senior Management of the Company.

The Company's independent auditors are ultimately accountable to the Board of Directors and the Audit Committee, and the Audit Committee has the ultimate authority and responsibility to select, retain, compensate and terminate the Company's independent auditors.

2. Composition

The Audit Committee shall consist of at least three directors, each of whom is independent, within the meaning of the listing standards of the New York Stock Exchange, Section 10A(m)(3) of the Securities Exchange Act of 1934 and the Rules promulgated by the SEC. In addition, no member of the Committee may simultaneously serve on the audit committees of more than two other public companies unless the Board of Directors determines that such service would not impair the ability of such director to effectively serve on the Audit Committee and discloses such determination in the Company's annual proxy statement. All members of the Committee shall be financially literate; as such qualification is interpreted by the Board of Directors in its business judgment, or must become financially literate within a reasonable time after their appointment to the Committee. To the extent possible, at least one member of the Committee shall be an "audit committee financial expert" as such term is defined by the SEC and determined in the good faith judgment of the Board of Directors.

The Board of Directors shall appoint members of the Audit Committee and its Chairman annually, considering the recommendation of the Nominating and Corporate Governance Committee, and further considering the views of the Chairman of the Board and Chief Executive Officer, as appropriate. The members of the Audit Committee shall serve until their successors are appointed and qualify. The Board of Directors shall have the power at any time to change the membership of the Audit Committee and to fill vacancies in the Committee with new member(s) that satisfy the requirements set forth in the preceding paragraph.

3. Resources and Authority of the Audit Committee

The Audit Committee shall have the financial resources and authority necessary to carry out its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special or independent counsel, accountants or other advisors it deems appropriate, without seeking the approval of the Board of Directors or management.

4. Compensation of Audit Committee Members

No member of the Audit Committee may receive any compensation from the Company other than (i) director's fees, including committee member and committee chair fees, if any (in the form of cash, Company stock, stock options or other in-kind consideration ordinarily available to directors), (ii) a pension or other form of deferred compensation from the Company for prior service that is not contingent in any way on future service, and (iii) any other regular benefits that other directors receive.

## 5. Responsibilities

The Committee will meet at least four times each year or more frequently as circumstances require. In connection with fostering open communication among groups providing accounting, auditing and financial reporting services for the Company, the Committee will meet periodically with the independent auditors, the internal auditor and financial and senior Management in separate sessions to discuss any matter that the Committee or any of these groups believes should be discussed privately. The Committee will also be responsible for setting clear hiring policies for employees or former employees of the independent auditors and for establishing procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Committee's specific responsibilities in performing its oversight role are set forth in the Audit Committee Responsibilities Checklist that is attached as an addendum to this Charter. The responsibilities checklist will be updated periodically to reflect changes in regulatory requirements, authoritative guidance and evolving oversight practices.

## 6. Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. Management is responsible for the preparation, presentation and integrity of the company's financial statements and for the appropriateness of the accounting principles and reporting policies used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements.

AUDIT COMMITTEE  
RESPONSIBILITIES CHECKLIST

		WHEN TYPICALLY PERFORMED		
		Audit Committee Meetings		
		Annually	Quarterly	A/N *
1.	Retain and, when appropriate, terminate the Company's independent auditors.	X		X
2.	Approve all audit engagement fees and terms, as well as all permitted non-audit engagements with the Company's independent auditors.	X		X
3.	Review and evaluate the qualifications, performance and independence of the lead audit partner (or similar designation) of the independent auditors.	X		
4.	Require the independent auditors (the "firm") to submit to the Committee at least annually a report describing (i) the firm's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditors and the Company.	X		
5.	Review the independent auditors' "independence letter" and evaluate the qualifications, performance and independence of the independent auditors, including discussing with the independent auditors all of their relationships or services that may impact their objectivity and independence and determining whether the auditors' quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditors' independence, taking into consideration the opinions of management and the internal auditors; present the Committee's conclusions to the Board of Directors and recommend to the Board of Directors appropriate action to ensure the independence of the independent auditors.	X		
6.	Delegate certain matters to a sub-committee of the Committee (which may consist of a single member of the Committee) to the extent such delegation does not conflict with applicable laws, rules or regulations affecting the Company.			X
7.	Confer with the independent auditors and the internal auditor as to the scope of each of their proposed audits, including directing special attention to specific matters or areas deemed by the Committee or the independent auditors or internal auditors to be of special significance; and confirm both of the auditors' understanding that they have the authority and responsibility to inform the Committee of any unresolved issues they encounter.		X	

		WHEN TYPICALLY PERFORMED		
		Audit Committee Meetings		
		Annually	Quarterly	A/N *
8.	Review the appointment and replacement of internal auditors; approve the internal audit department's independence, annual workplan, budget and charter; and review management's assessment of the performance, and to concur with the annual compensation and salary adjustment, of the head of internal audit department, as recommended by the Company's executive management team.	X		
9.	Meet separately no less often than every quarter with management, the internal auditors and the independent auditors.		X	X
10.	Review the findings and recommendations of the independent auditors on completion of their annual audit.	X		
11.	Review with the independent auditors any material difficulties the auditors encountered in the course of their audit work, including any restrictions on the scope of the independent auditors' activities or on access to requested information.	X		X
12.	Review with the independent auditors, outside the presence of management, the matters required to be discussed under generally accepted auditing standards relating to the conduct of the audit, any significant disagreements with management and unresolved issues, including, without limitation, any accounting adjustments that were noted or proposed by the independent auditors but were "passed" as immaterial or otherwise and any communications between the independent audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement. Resolution of any such matters is to be coordinated with management.	X		X
13.	Review any "management" or "internal control" letter issued, or proposed to be issued, by the audit firm to the Company.	X		
14.	A. Review with management and the independent auditors the Company's year-end audited financial statements to be included in the Company's annual report on Form 10-K and the independent auditors' report thereon, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and recommend to the Board of Directors whether the Company's year end audited financial statements should be included in the Company's Form 10-K.  B. Review with management and the independent auditors the Company's quarterly financial statements, including the Company's disclosures under "M, D & A".	X	X	

		WHEN TYPICALLY PERFORMED		
		Audit Committee Meetings		
		Annually	Quarterly	A/N *
15.	Review with the independent auditors (i) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements, (ii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company, (iii) critical accounting policies of the Company and (iv) any other major issues regarding accounting principles and financial statements.	X		
16.	Review disclosures, if any, made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.		X	X
17.	A. Prior to disclosure, review and discuss the quarterly and annual earnings releases.  B. Prior to disclosure, at least one member of the Audit Committee shall review and discuss types of financial information presented to analysts and rating agencies (other than monthly sales press releases) and earnings guidance not previously made available to the public followed by a report to the Audit Committee at its next regular meeting reporting such approval, paying particular attention to any use of "proforma" or "adjusted" non-GAAP information.	X	X	X
18.	Discuss with the Company's General Counsel legal matters that may have a material impact on the financial statements or the Company's compliance policies.			X
19.	Discuss with the independent auditors their judgments about the clarity of the Company's financial disclosure practices and the quality and appropriateness of the accounting principles and estimates and other judgments applied in the Company's financial reporting.	X		
20.	Consider and approve, if appropriate, changes to accounting principles applied in the Company's financial reporting.			X
21.	Review, in consultation with the independent auditors, the internal auditors and the financial management of the Company, the adequacy and effectiveness of the Company's internal controls and procedures for financial reporting and the independent auditors' annual report on those controls.	X		
22.	Review at least quarterly the findings and recommendations of the internal auditors and management's actions regarding internal audit recommendations.		X	

		WHEN TYPICALLY PERFORMED		
		Audit Committee Meetings		
		Annually	Quarterly	A/N *
23.	Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's policies with respect to risk assessment and risk management.	X		
24.	Annually and as needed discuss the guidelines and policies governing the process by which risk assessment and management is undertaken by the Company.	X		X
25.	Assess procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.	X		X
26.	Review and approve the Audit Committee report that is required by the rules of the SEC to be included in the Company's annual proxy statement.	X		
27.	Consider periodically and recommend to the Board of Directors, as appropriate, changes to the Committee's Charter and to this checklist.			X
28.	Prepare and review with the Board of Directors an annual performance evaluation of the Audit Committee, which evaluation must compare the Committee's performance with the requirements of this Charter.	X		
29.	Consult with and retain such advisors and consultants as the Committee deems necessary, including legal counsel (who may be counsel to the Company), accounting and other advisors.			X
30.	Report to and review with the Board of Directors any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors or the Company's internal audit function.			X
31.	Report all actions taken at its meetings to the Board of Directors at the next following meeting of the Board.		X	
32.	Receive report of compliance with policies and procedures of Treasury Policy.	X		
33.	Review the results of the various audits (statutory, benefit plans, etc.) conducted by the Company's independent auditors.	X		X

\* As Needed