



BOARD OF DIRECTORS GUIDELINES ON CORPORATE GOVERNANCE

1. The Role of the Board of Directors and Director Responsibilities

Within limits defined by statute and as set forth in the Company' Certificate of Incorporation and By-Laws, the role of the Board is to oversee the management of the Company for the benefit of the stockholders. Directors are under a legal obligation to carry out their responsibilities of office: in good faith, in the best interests of the Company and its stockholders, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

This requires the Board to monitor the effectiveness of management policies and decisions including:

- (1) approving and monitoring the progress of fundamental operating, financial and other corporate plans; strategies and objectives;
- (2) evaluating the performance of the Company and its Chief Executive Officer, including succession plans;
- (3) approving the compensation of the Chief Executive Officer and other senior executives;
- (4) adopting policies of corporate conduct, including compliance with applicable laws and regulations, and maintenance of accounting, financial and other controls; and
- (5) annually evaluating the overall effectiveness of the Board of Directors.

In addition to the general responsibilities set forth above, the Board has the following specific duties and responsibilities:

- (1) Annual Budget. Approve the annual budget for the Company which will form the basis for all authorized expenditures and disposals of capital assets by the Company. Approve any amendments to the budget as may be needed from time to time to allow for non-budgeted items.
- (2) Quality of Disclosure. Satisfy itself that procedures are in place and are being followed that are likely to result in accurate and appropriate corporate disclosure.

- (3) Compliance with Laws, Ethical and Professional Standards. Satisfy itself that procedures are in place and are being followed that are likely to result in directors, officers and other employees acting in compliance with laws and in accordance with established and accepted ethical and business standards including the obligation to disclose any conflicts of interest that may render them interested directors in any matters relating to the Company.
- (4) New business. Be alert to opportunities for new business for the Company and assist in specific contacts with respect to particular opportunities when requested to do so.

Below are the personal responsibilities of each Board member:

- (1) Attend all regular and special meetings and the annual meeting of stockholders.
- (2) Maintain the confidentiality of board and company information.
- (3) Adhere to the Company's policy on insider trading.
- (4) Comply with all federal securities laws and rules that relate to reporting holdings of securities of the company and transactions in such securities.
- (5) Continue to hold any shares of restricted stock granted to such director by the Company at least until such director no longer serves as a director of the Company.

2. Meetings of the Board of Directors and Meetings in Executive Session

The Board of Directors will meet telephonically or in person at least four times a year. The Chairman, in consultation with the Chief Executive Officer will establish the agenda for each Board meeting. At the end of each Board meeting Board members will have the opportunity to address any other issues he or she wishes to raise. Board materials related to agenda items should be distributed to all members of the Board in advance of a meeting in order to enable them to review and reflect on key issues, request supplemental information as necessary and generally prepare for the discussion at the meeting.

The Board will meet in Executive Session as appropriate but not less than twice each year. The Chairman of the Board shall chair these meetings and in the event of a conflict, a Director will be assigned to chair the meeting.

3. Director Independence

It is the policy of the Board of Directors that a majority of Directors be independent of Footstar management. The Board will review the independence of all non-employee Directors on an annual basis and will take into consideration all of the information provided by each Director in response to detailed inquiries concerning his or her

independence and any direct or indirect business, family, employment, transactional or other relationship or affiliation of such Director with Footstar.

A Director is independent if the Board affirmatively determines that the Director does not have any relationship which, in the opinion of the Board, would interfere with his or her exercise of independent judgment in carrying out the responsibilities of a Director.

The Board has established the standards of independence to assist it in making the determination of director independence, which are the same standards of independence as currently established by The NASDAQ Stock Market (“NASDAQ”) under Marketplace Rule 4200(a)(15) for independence in general and, for independence of our Audit Committee members, by the Securities Exchange Commission (the “SEC”) under Rule 10A-3 of the Securities Exchange Act of 1934 and NASDAQ under Marketplace Rule 4350(d)(2).

4. Director Access to Management and to Independent Advisors

Board members have complete access to the management and the Company’s outside counsel and auditors. It is assumed that the Board will use judgment to be sure that such contact is not distracting to the business operation of the Company and that the Chief Executive Officer, Chief Financial Officer and/or General Counsel is advised, as appropriate and unless there are special circumstances, of any such contact. Directors may also engage and have access to the Board’s independent advisors.

Furthermore, the Board encourages the practice of bringing managers into Board meetings from time to time who: (a) can provide additional insight into the items being discussed or (b) senior management believe have future potential as prospective leaders.

5. Management Succession

There should be available, on a continuing basis, the Chief Executive Officer’s recommendation as to a successor should he be unexpectedly disabled.

6. Formal Evaluation of the Chief Executive Officer

All independent directors should formally evaluate the Chief Executive Officer annually, and this evaluation should be communicated to the Chief Executive Officer by the Chairman unless someone else is designated.

The evaluation should be based on objective criteria including performance of the business and accomplishment of strategic objectives.

The evaluation will be used by the Compensation Committee in the course of its deliberations when considering the compensation of the Chief Executive Officer to be recommended for approval by the independent Board members.

