

PHOENIX FOOTWEAR GROUP, INC.
BOARD OF DIRECTORS
COMPENSATION COMMITTEE
CHARTER

PURPOSE:

The Compensation Committee is appointed by the Board to discharge the Board's responsibilities relating to compensation of the Company's directors and officers. The Committee has overall responsibility for approving and evaluating the director and officer compensation plans, policies and programs of the Company.

The Committee is also responsible for overseeing the production of an annual report on executive compensation for inclusion in the Company's proxy statement.

COMPOSITION:

The Committee will be comprised of a minimum of three members of the Board of Directors designated by the Board of Directors based upon recommendations of the Nominating and Governance Committee. A majority of the Committee shall be comprised by independent directors based upon criteria established by the Board of Directors.

RESPONSIBILITIES AND AUTHORITY:

1. Establish executive compensation policies, principles and guidelines based on factors including Company performance, stockholder return, competitiveness with compensation offered by comparable companies and compensation levels in recent years;
2. Oversee preparation and approval of statements to stockholders on compensation matters as required by the Securities and Exchange Commission and other government bodies and the American Stock Exchange;
3. Annually review and recommend to the Board for determination, for the CEO and the senior executives of the Company, (a) the annual base salary level, (b) the annual opportunity level, (c) the long-term incentive opportunity level, (d) employment agreements, severance arrangements, and change in control agreements/provisions, in each case as, when and if appropriate, and (e) any special or supplemental benefits;
4. Review and recommend to the Board for determination, corporate goals and objectives relevant to the CEO's compensation, evaluate the CEO's performance in light of these goals and objectives and recommend to the Board the CEO's compensation level based on this evaluation. In recommending the long-term incentive component of CEO compensation, the Committee will consider the Company's performance and relative stockholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the CEO in past years;

5. Administer the Company's stock-based incentive compensation plans;
6. Review and make recommendations to the Board concerning all executive management incentive compensation and equity-based compensation plans. The Committee shall approve grants of stock options and other equity or equity-based awards in the manner, and on terms and conditions prescribed by, the Company's stock incentive plans;
7. Review and approve, subject where required to submission to stockholders, all new executive management incentive compensation plans and the performance goals for executive performance based plans, review the results and approve the payment of awards upon attainment of the goals;
8. Review periodically the cash and stock compensation programs, benefits and perquisites offered to the Company's non-employee directors, corporate officers and other members of senior management; initiate actions or recommend changes to the Board as appropriate;
9. Retain and terminate the services of any consulting firms used to assist in the evaluation of director and executive compensation and have sole authority to approve the consultant's fees and other retention terms. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors;
10. Adopt amendments to all employee benefit plans, stock plans and employee welfare plans of the Company, except to the extent that stockholder or Board approval may be required;
11. Exercise voting and investment authority with respect to employee benefit plan assets and review investment performance;
12. Complete an annual performance evaluation of the Committee for submission to the Board of Directors; review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Nominating and Governance Committee for approval;
13. In consultation with appropriate executive officers of the Company, oversee regulatory compliance with respect to compensation matters, including overseeing the Company's policies on structuring compensation programs to preserve tax deductibility, and, as required, establishing performance goals and determine whether performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code;
14. Review and approve guidelines relative to any severance or other termination payments proposed to be made to any executive officer of the Company;
15. Report to the Board concerning all actions taken by the Committee; and

16. Such other responsibilities as may be assigned to the Committee from time to time by resolution of the Board or as designated in plan documents.

Adopted February 5, 2004