

Aames Investment Corporation

Compensation Committee Charter

1. Name.

1.1 There will be a committee of the Board of Aames Investment Corporation (the “Company”), which will be called the Compensation Committee.

2. Purpose.

2.1 The Compensation Committee will (1) discharge the Board’s responsibilities relating to compensation of the Company’s executives and (2) produce an annual report on executive compensation for inclusion in the Company’s proxy statement in accordance with applicable rules and regulations.

3. Committee Membership and Procedure.

3.1 The Compensation Committee will consist of no fewer than three members. Each member of the Compensation Committee must satisfy the independence requirements of the New York Stock Exchange and, if deemed appropriate from time-to-time, meet the definition of “non-employee” director under Rule 16b-3 under the Securities Exchange Act of 1934, and “outside director” for purposes of Section 162(m) of the Internal Revenue Code of 1986.

3.2 The Board will appoint the members of the Compensation Committee annually, considering the recommendation of the Nominating and Governance Committee, and further considering the views of the Chairman of the Board and the Chief Executive Officer, as appropriate. The members of the Compensation Committee will serve until their successors are appointed and qualified, and will designate the Chairman of the Compensation Committee. The Board will have the power at any time to change the membership of the Compensation Committee and to fill vacancies, subject to such new member(s) satisfying the above requirements. Except as expressly provided in this Charter or the Company’s Bylaws or Corporate Governance Guidelines, the Compensation Committee will fix its own rules of procedure.

4. Committee Authority and Responsibilities.

4.1 The Compensation Committee will review and approve corporate goals and objectives relative to the Chief Executive Officer’s compensation, evaluate the Chief Executive Officer’s performance in light of those goals and objectives, and set the Chief Executive Officer’s compensation level based on this evaluation.

4.2 In determining the long-term incentive component of Chief Executive Officer compensation, the Compensation Committee will consider the Company’s performance and relative shareholder return, the value of similar incentive awards to

Chief Executive Officers at comparable companies, and the awards given to the Company's Chief Executive Officer in past years.

4.3 The Compensation Committee will make recommendations to the Board regarding the compensation of the Company's executive officers other than the Chief Executive Officer, including base salary, short-term and long-term incentive compensation, based upon a review of the Chief Executive Officer's recommendations,.

4.4 The Compensation Committee will make recommendations to the Board with respect to incentive compensation plans and equity-based plans, including additions, deletions or changes in existing plans and proposals for new plans.

4.5 The Compensation Committee will have the sole authority to retain and terminate any compensation consultant used in the evaluation of director, Chief Executive Officer or senior executive compensation, and will have the sole authority to approve the consultant's fees and other retention terms. The Compensation Committee will also have the authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

4.6 The Compensation Committee will adopt, administer, approve and ratify awards under incentive compensation and stock plans, including amendments to the awards made under any such plans, and review and monitor awards under those plans.

4.7 The Compensation Committee will make regular reports to the Board.

4.8 The Compensation Committee will review and reassess the adequacy of the Charter annually and recommend any proposed changes to the Board for approval. The Compensation Committee will annually review its own performance.

4.9 The Compensation Committee may form and delegate authority to subcommittees when appropriate.