

Compensation Philosophy

The three principal components of Perry Ellis' executive compensation are salary, bonus and stock options. These components are designed to facilitate fulfillment of the compensation objectives of the Perry Ellis board of directors and the compensation committee, which objectives include (a) attracting and retaining competent management, (b) recognizing individual initiative and achievement, (c) rewarding management for short and long term accomplishments, and (d) aligning management compensation with the achievement of Perry Ellis' goals and performance.

The compensation committee endorses the position that equity ownership by management is beneficial in aligning management's and shareholders' interests in the enhancement of shareholder value. This alignment is amplified by the extensive holdings by management of Perry Ellis' common stock and stock options. Base salaries for new management employees are determined initially by evaluating the responsibilities of the position held and the experience of the individual, and by reference to the competitive marketplace for managerial talent, including a comparison of base salaries for comparable positions at similar companies of comparable sales and capitalization. Annual salary adjustments are determined by evaluating the competitive marketplace, the performance of Perry Ellis, the performance of the executive, and the responsibilities assumed by the executive.

The compensation committee intends to review Perry Ellis' existing management compensation programs on an ongoing basis and will (i) meet with the chief executive officer to consider and set mutually agreeable performance standards and goals for members of senior management and/or Perry Ellis, as appropriate or as otherwise required pursuant to any such officer's employment agreement and (ii) consider and, as appropriate, approve modifications to such programs to ensure a proper fit with the philosophy of the compensation committee and the agreed-upon standards and goals. The compensation committee has not yet considered or approved the individual or corporate performance goals or standards for the fiscal year ending January 31, 2004 with respect to Perry Ellis' management incentive programs.