

## K-SWISS INC.

### COMPENSATION AND STOCK OPTION COMMITTEE CHARTER

1. **Members.** The Board of Directors (the "**Board**") of K-Swiss Inc. (the "**Company**") appoints a Compensation and Stock Option Committee (the "**Committee**") of at least three independent directors and designates one member as chairperson or delegates the authority to designate a chairperson to the Committee. For purposes hereof, an "independent" director is a director who meets the Nasdaq Stock Market, Inc. definition of an "independent director," as determined by the Board. Additionally, members of the Committee must qualify as "non-employee directors" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and as "outside directors" for purposes of Section 162(m) of the Internal Revenue Code.

2. **Purpose, Duties, and Responsibilities.** The purpose of the Committee is to discharge the responsibilities of the Board relating to compensation of the Company's executive officers and produce the annual report on executive compensation for inclusion in the Company's proxy statement. The duties and responsibilities of the Committee are to:

- (a) Administer and make recommendations to the Board with respect to the Company's incentive-compensation and equity-based compensation plans.
- (b) Review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer ("**CEO**"), evaluate the CEO's performance in light of those goals and objectives, and set the CEO's compensation level based on this evaluation.
- (c) Oversee the Company's overall compensation structure, policies and programs with respect to the executive officers (other than the CEO) disclosed in the summary compensation table included in the Company's annual proxy statement and assess whether that compensation structure establishes appropriate incentives for such executive officers. Review and approve corporate goals and objectives relevant to the compensation of such executive officers, evaluate the performance of such executive officers in light of those goals and objectives, and set the compensation of such executive officers based upon this evaluation and the recommendation of the CEO.
- (d) Approve stock option and other stock incentive awards for "Eligible Persons" (as defined in the related compensation plans).
- (e) Review and approve the design of other benefit plans pertaining to executive officers.
- (f) Review and recommend employment agreements and severance arrangements for executive officers, including change-in-control provisions, plans or agreements.

- (g) Annually evaluate the performance of the Committee and the adequacy of the Committee's charter.
- (h) Perform such other duties and responsibilities as are consistent with the purpose of the Committee and as the Board or the Committee deems appropriate.

3. **Subcommittees.** The Committee may delegate any of the foregoing duties and responsibilities to a subcommittee of the Committee consisting of not less than two members of the committee.

4. **Outside advisors.** The Committee will have the authority to retain at the expense of the Company such outside counsel, experts, and other advisors as it determines appropriate to assist it in the full performance of its functions, including sole authority to retain and terminate any compensation consultant used to assist the committee in the evaluation of director, CEO or senior executive compensation, and to approve the consultant's fees and other retention terms.

5. **Meetings.** The Committee will meet as often as may be deemed necessary or appropriate, in its judgment, either in person or telephonically, and at such times and places as the Committee determines. The majority of the members of the Committee constitutes a quorum. The Committee will report regularly to the full Board with respect to its activities.