

CHEROKEE INC.

CHARTER OF THE COMPENSATION COMMITTEE

Adopted September 6, 2011

PURPOSE AND AUTHORITY

The Compensation Committee (the “Committee”) is appointed by the Board of Directors (“Board”) of Cherokee Inc. to assist the Board in discharging the Board’s responsibilities relating to compensation of the Company’s directors and executive officers; advise the Company’s management on the preparation of and review of an annual Compensation Discussion & Analysis (the “CD&A”) as required by the Securities and Exchange Commission (“SEC”) for inclusion in the Company’s annual proxy statement or Annual Report on Form 10-K filed with the SEC, in accordance with applicable rules and regulations and produce an annual Compensation Committee statement regarding the Committee’s review of the CD&A, and such other duties as directed by the Board. The Committee shall establish compensation programs that are designed to (a) encourage high performance, (b) promote accountability, (c) attract and retain highly qualified and motivated individuals, and (d) align the interests of the Company’s directors and executive officers with the interests of the Company’s stockholders.

The Committee shall have the sole authority to retain and terminate any compensation consultants to be used to assist in establishing compensation for directors, the Chief Executive Officer or key executive officers and to approve such consultants’ fees and other retention terms. Any such consultants shall report directly to the Committee. The Committee shall also review the independence of such compensation consultants, including the determination whether any conflicts of interest exist, in accordance with applicable SEC rules and the standards of the Nasdaq Stock Market (“Nasdaq”). The Committee shall have the authority to adopt, review and implement a policy with respect to the retention and oversight of compensation consultants by the Committee and by the Company. The Committee shall also have the authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

The Company will provide appropriate funding, as determined by the Committee, for payment of the fees and expenses incurred by the Committee including fees and expenses of any compensation consultant or other advisor. The Committee may request any officer or employee of the Company or the Company’s outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. In addition, in discharging its duties and responsibilities the Committee shall have full access to any applicable records of the Company. The Committee shall also undertake those specific duties and responsibilities listed below and such other duties as the Board may from time to time prescribe.

COMMITTEE MEMBERSHIP

The Committee shall consist of no fewer than three members who are “non-employee director” members of the Board for purposes of Rule 16b-3 under the Securities Exchange Act of 1934 (or any successor to Rule 16b-3 as in effect from time to time), and who are not employees of

or service providers to the Company. Each member of the Committee shall also (a) be an “outside director” under, and shall be selected in accordance with, Section 162(m) of the Internal Revenue Code of 1986, as amended (or any successor to Section 162(m) as in effect from time to time), and the income tax regulations promulgated thereunder or as in effect from time to time, (b) meet the applicable independence requirements of the Nasdaq and SEC, and (c) be otherwise free from any relationship that, in the opinion of the Board, would interfere with his or her independent judgment as a member of the Committee.

The members of the Committee and its Chairperson shall be appointed by the Board to serve an annual term. Committee members may be removed by the Board in its discretion.

If the Chairperson is not present, the members may designate an acting Chairperson by majority vote of the membership present.

DUTIES AND RESPONSIBILITIES

1. General.

The operation of the Committee shall be subject to the Bylaws of the Company, as in effect from time to time. The Committee shall have the power and authority to carry out the following responsibilities:

- a. Review and approve annual retainer and fees for non-employee members of the Board and committees of the Board, establish the terms and awards of stock compensation for non-employee members of the Board, approve any other compensation or perquisites for non-employee members of the Board and approve any other material business arrangements or payments to any Board member and any affiliate of any Board member.
- b. Review and approve the Company’s compensation philosophy and, if necessary, recommend to the Board revisions to the compensation philosophy of the Company.
- c. Review management’s risk assessment regarding the compensation policies and practices of the Company and, based on the results of such risk assessment, take steps to provide that such policies and practices do not encourage unnecessary or excessive risk-taking, if necessary.
- d. Review and approve for executive officers, including the Chief Executive Officer, any employment, severance or change in control agreements.
- e. Review and advise the Board concerning the performance of the Chief Executive Officer and other key executive officers.
- f. Form and delegate any of the foregoing functions and powers to subcommittees (consisting solely of Committee members), with Board approval.
- g. Perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to the Company’s compensation programs.

- h. Perform such other functions and have such other powers as may be necessary or convenient to the efficient discharge of the foregoing, consistent with the Company's charter, bylaws and governing laws as in effect from time to time.
 - i. Report to the Board regarding the foregoing from time to time, or whenever it may be called upon to do so.
- 2. The Committee shall administer and interpret the Company's incentive compensation plans and stock-related plans (including specific provisions) in which the Chief Executive Officer and key executive officers may participate
- 3. The Committee shall have the full power and authority to carry out the following responsibilities:
 - a. Administer and interpret the Company's stock-related plans and incentive compensation plans, and to perform such duties and responsibilities as may be assigned to the Committee thereunder.
 - b. Determine rules and regulations relating to the Company's stock and incentive plans. Approve long-term incentive compensation plans for key executives, with the assistance of the Chief Executive Officer.
 - c. Impose limitations, restrictions and conditions upon any award as the Committee deems appropriate.
- 4. Annually review and approve the corporate goals and objectives with respect to the compensation of the Chief Executive Officer and evaluate at least once a year the Chief Executive Officer's performance in light of these established goals and objectives and based upon these evaluations, determine and approve the Chief Executive Officer's compensation, including salary, bonus and incentive compensation.
- 5. Annually review and approve the compensation, including bonus and incentive compensation, for the Company's key executive officers.
- 6. Review and reassess the adequacy of this Charter at least annually and recommend any proposed changes to the Board for approval.
- 7. Review its own performance at least annually.
- 8. Oversee and approve all public disclosures with respect to compensation of the Company's directors and key executive officers, including the Company's CD&A and any disclosures related to the Company's stockholder advisory votes regarding executive compensation (as described below). The Committee shall review and discuss with the Company's management the CD&A and, based on such review and discussion, the Committee shall determine whether to recommend to the Board that the CD&A be included in the Company's Annual Report on Form 10-K or annual proxy statement for the Company's annual meeting of stockholders. The Committee shall provide the required Compensation Committee report for the Company's Annual Report

on Form 10-K or annual proxy statement for the Company's annual meeting of stockholders in accordance with applicable rules of the SEC.

9. In connection with any stockholder advisory vote on the frequency with which the Company shall hold a stockholder advisory vote on the compensation of the Company's named executive officers pursuant to Section 14A of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, as amended ("Section 14A"), review and recommend for approval by the Board the frequency that should be recommended to the Company's stockholders.
10. Review and recommend for approval by the Board the frequency with which the Company should submit to the stockholders an advisory vote on the compensation of the Company's named executive officers pursuant to Section 14A, taking into account any prior stockholder advisory vote on the frequency with which the Company shall hold a stockholder advisory vote on compensation of the Company's named executive officer's.
11. Review the results of any stockholder advisory votes on the compensation of the Company's named executive officers and consider whether to make any adjustments to the Company's executive compensation policies and practices.

MEETINGS

The Committee will meet as often as the Committee deems necessary or appropriate to carry out its duties and responsibilities. All such meetings shall be held pursuant to the Company's charter and bylaws with regard to notice, waiver thereof and related matters. The Committee may establish its own schedule and notify the Board. The Chairman of the Board of Directors or any Committee member may call meetings of the Committee. The meetings may be held telephonically or by utilizing other communications equipment by means of which all persons participating in the meeting can hear each other. A majority of the members of the Committee shall constitute a quorum for purposes of holding a meeting. An act of the majority of the members present at any meeting at which there is a quorum shall be the act of the Committee. The Committee may also act by unanimous written consent.

MINUTES

The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

While the members of the Committee have the duties and responsibilities set forth in this Charter, nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of members of the Committee, except to the extent otherwise provided under applicable federal or state law.