

**PHYSICIANS FORMULA HOLDINGS, INC.**  
**COMPENSATION COMMITTEE CHARTER**

**Organization**

The Compensation Committee of Physicians Formula Holdings, Inc. (the “Company”) shall consist of at least three directors. Each member of the Committee must qualify as a “non-employee director” within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and as an “outside director” within the meaning of Section 162(m) of the Internal Revenue Code. In addition, each member shall be “independent” within the meaning of the applicable listing rules of the Nasdaq Stock Market LLC; *provided, however*, that upon completion of the Company’s initial public offering (the “IPO”), only one member of the Committee need be independent, and from the date that is 90 days from the date of the completion of the IPO to the date that is one year after the completion of the IPO, only a majority of the members of the Committee need be independent; and *provided further* that one person who is not independent within the meaning of the applicable listing rules of the Nasdaq Stock Market LLC, and is not a current officer or employee of the Company or a family member of an officer or employee, may be appointed to the Committee if the Board, under exceptional and limited circumstances, determines that such individual’s membership on the Committee is required by the best interests of the Company and its stockholders. A member appointed under this exception may not serve longer than two years.

Committee members shall be appointed by the Board. Committee members shall hold their offices until their successors are appointed and qualified, or until their earlier resignation or removal. All vacancies in the Committee shall be filled by the Board. The Board shall designate one of the members as Chairman of the Committee, and the Committee shall keep a separate book of minutes of their proceedings and actions.

The Committee shall meet periodically, as deemed necessary by the Chairman of the Committee. All meetings shall be at the call of the Chairman of the Committee. A majority of the members of the Committee shall constitute a quorum for the transaction of business. The Committee may act only upon approval of a majority of its members. The action of the Committee at a meeting at which a quorum is present shall be the act of the Committee. The Committee may act in writing by the unanimous consent of its members.

The Committee may form one or more subcommittees, each of which may take such actions as may be delegated by the Committee. The Committee shall periodically report on its activities to the Board and make such recommendations and findings as it deems appropriate. The Committee may, in its sole discretion and at the Company’s expense, retain and terminate such legal, accounting or other consultants or experts, including compensation consultants, as it deems necessary in the performance of its duties and without having to seek the approval of the Board.

**Purpose and Responsibilities**

The Committee’s primary purpose and responsibilities shall be:

- to review and approve goals and objectives relevant to the Chief Executive Officer’s compensation, to evaluate the Chief Executive Officer’s performance according to these goals and objectives and to determine and approve the Chief Executive Officer’s compensation level based on this evaluation;

- to screen and recommend to the Board individuals qualified to become Chief Executive Officer of the Company;
- to establish total compensation for the Board and approve total compensation for senior executives, including oversight of all senior executive benefit plans;
- to oversee the Company's general cash-based and equity-based incentive plans; and
- to produce a compensation committee report on executive compensation as required by the SEC to be included in the Company's annual proxy statement.

## **Duties**

To fulfill its purpose and responsibilities, the Committee shall:

1. Establish the total compensation for the directors of the Company.
2. Establish the total compensation package provided to the Chief Executive Officer, and approve the total compensation package provided to such other officers of the Company whose compensation is disclosed in the Company's proxy statement, and approve the actual compensation (including base pay adjustments, and any annual and long-term incentive payouts) paid to senior executive officers of the Company.
3. Approve employment agreements, severance agreements or change of control agreements between the Company and its senior executive officers. Specifically as to the Chief Executive Officer, the Committee should review and approve the goals and objectives relevant 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. Develop and review periodically succession plans of the Chief Executive Officer, and screen and recommend to the Board candidate(s) for Chief Executive Officer.
5. Review and approve the design of the benefit plans which pertain to directors, the Chief Executive Officer and other senior executive officers who report directly to the Chief Executive Officer.
6. Approve the creation and/or revision of incentive compensation plans and equity-based plans affecting Company officers and grants thereunder.
7. Produce and approve the Compensation Committee Report on Executive Compensation included in the Company's proxy statements and generally oversee compliance with the compensation reporting requirements of the SEC.
8. Approve overall compensation policy throughout the entire Company.
9. Review and approve or recommend to the Board for approval changes to or adoption of retirement plans of the Company and approve periodically funding guidelines developed by the Compensation Committee, including any matching contributions under the Company's 401(k) plan, if any.

10. Administer all plans entitled to the exemption under Rule 16b-3 of the Securities Exchange Act of 1934, as amended, including all stock option, restricted stock and deferred stock plans.