

**COMPENSATION COMMITTEE CHARTER  
OF  
TILE SHOP HOLDINGS, INC.**

**Purpose**

The Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Tile Shop Holdings, Inc. (together with its subsidiaries, the “Company”) shall assist the Board with the discharge of its responsibilities relating to compensation and benefits provided to the Company’s executive officers and employees. The Committee shall ensure that the Company’s compensation programs are designed to encourage high performance, promote accountability and are aligned with the interests of the Company’s stockholders.

In addition to powers and responsibilities delegated herein, and consistent with the Company’s certificate of incorporation and bylaws, the Committee may exercise any powers and responsibilities delegated to it by the Board from time to time. To the fullest extent permitted by law, the Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it, and any acceptance or rejection of such powers and responsibilities shall be in the Committee’s sole discretion. When acting within the scope of the powers and responsibilities delegated to it by the Board, the Committee shall have all of the powers and authority of the Board.

**Member Qualification and Appointment**

The Committee shall be composed of at least two (2) members of the Board. Each member of the Committee shall (a) satisfy the independence requirements of the NASDAQ Stock Market, (b) be a “non-employee director” within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and (c) be an “outside director” pursuant to the regulations promulgated under Section 162(m) of the Internal Revenue Code 1986, as amended (the “Code”).

Each member of the Committee shall be appointed by the Board and shall serve until his or her resignation or until otherwise determined by the Board. Committee members may be removed from the Committee by the Board at any time, with or without cause. The Board shall designate a chairperson of the Committee (the “Chair”) and the Committee may elect a secretary of the Committee.

**Meetings and Administration**

The Chair (or, in his or her absence, a member of the Committee designated by the Chair) shall preside at each meeting of the Committee and shall determine the agenda for each meeting of the Committee. The Committee shall have authority to establish rules and procedures for notice and conduct of meeting, provided that such rules and procedures shall not be inconsistent with any provisions of the Company’s bylaws applicable to the Committee.

The Committee shall meet at least twice during each year and at such other times as may be designated by the Chair or by a majority of the other members of the Committee from time to

time. The Committee shall also be permitted to take action by unanimous written consent when deemed necessary or appropriate.

The Committee may, in its discretion, invite other members of the Board, members of the Company's management, legal counsel to the Company or any other persons whose presence the Committee believes to be desirable and appropriate to meetings of the Committee.

Notwithstanding the foregoing, the Committee shall meet without the presence of executive officers of the Company when approving or deliberating on the compensation of the Company's Chief Executive Officer (the "CEO") but may, in its discretion, invite only the CEO to be present during the approval of, or deliberations with respect to, the compensation of other executive officers.

To the extent that it deems necessary or appropriate, the Committee may retain independent counsel, experts or advisors. Further, the Committee may utilize the services of the Company's regular legal counsel or other advisors. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to any such persons retained by the Committee and for ordinary administrative expenses of the Committee.

### **Duties and Responsibilities**

1. Overall Compensation. The Committee shall, at least annually, review the overall compensation policy of the Company as it applies to employees of the Company generally, and the Company's corporate goals and objectives relevant to compensation of the CEO and the Company's other executive officers.

2. Executive Officer Compensation. The Committee shall review and approve, or recommend for Board approval, the compensation of the CEO and the Company's other executive officers, including: (a) salary, bonus and incentive compensation levels, (b) deferred compensation, (c) executive perquisites, (d) equity compensation (including awards to induce employment), (e) severance agreements and (f) change-in-control benefits and other forms of executive officer compensation.

3. Evaluation of Executive Officers. The Committee shall be responsible for overseeing the evaluation of the performance of the Company's executive officers. The Committee shall determine the nature and frequency such evaluations, supervise the conduct of such evaluations and prepare assessments of the performance of the Company's executive officers for review and discussion by the Board. The compensation of the Company's executive officers shall be based on such evaluations.

4. Plan Recommendations and Approvals. The Committee shall manage and periodically review all bonus, incentive-compensation and equity-based plans and, with respect to each such plan, shall:

- Exercise all rights, authority and functions of the Board, including without limitation, the authority to interpret the terms thereof, to grant options, stock, awards, and other equity rights thereunder, to approve the

repurchase of securities from terminated officers, directors, employee and advisors that were granted thereunder and to approve all amendments to, and the termination of, all such plans and any awards made thereunder;

- Set performance targets for senior executives, as appropriate, and commit to writing any and all such performance targets for all executive officers who may be “covered employees” under Section 162(m) of the Code within the first ninety (90) days of the performance period to which such target relates or, if shorter, within the period provided by Section 162(m) of the Code in order for such target to be “pre-established” within the meaning of Section 162(m) of the Code; and
- Certify that all performance targets have been met before payment of any bonus or equity compensation to any executive officer to whom such performance targets apply.

To the extent permitted by applicable law and the provisions of any equity-based plan, and consistent with the requirements of applicable law and the provisions of any such plan, the Committee may delegate to one or more executive officers of the Company the power to grant options, stock, or other equity rights pursuant to such equity-based plans to employees of the Company who are not directors or executive officers of the Company.

5. Director Compensation. The Committee shall periodically review and make recommendations to the Board with respect to director compensation.

6. Review and Discussion of Compensation Discussion and Analysis. The Committee shall review and discuss annually with management of the Company the “Compensation Discussion and Analysis” required by Item 402(b) of Regulation S-K and shall consider whether it will recommend to the Board that the “Compensation Discussion and Analysis” be included in filings made by the Company pursuant to the Exchange Act.

7. Compensation Committee Report. The Committee shall prepare the annual Compensation Committee Report required by Item 407(e)(5) of Regulation S-K.

8. Loans. The Committee shall review, approve, and manage any loans made by the Company to officers, directors, employees and advisors of the Company.

9. Regulatory Compliance. The Committee shall oversee the Company’s regulatory compliance with respect to compensation matters.

10. Investigations. The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate, including the authority to request that any officer, employee, or advisor of the Company meet with the Committee or any advisors engaged by the Committee.

11. Consulting Arrangements. The Committee shall have the authority to retain and terminate any compensation consultant to be used to assist in the evaluation of executive officer

compensation and shall have the authority to approve such consultant's fees and other retention terms. The Committee shall also have the authority to commission compensation surveys or studies it may deem appropriate. The Company shall provide funding, as determined by the Committee, for the payment of compensation to any such consultants or third-party service providers.

12. Reports to Board. The Committee shall report regularly to the Board.

13. Charter. The Committee shall, from time to time as it deems appropriate, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

14. Evaluation of Committee. The Committee shall evaluate its own performance on an annual basis, including compliance with this Charter, and provide any written material with respect to such evaluation to the Board along with any recommendations for changes in procedures or policies governing the Committee.

### **Delegation of Duties**

The Committee shall be permitted to delegate any or all of its responsibilities to one or more subcommittees of the Committee (including a subcommittee consisting of a single member) to the extent consistent with this Charter, the Company's certificate of incorporation and bylaws, applicable law, and the rules of the NASDAQ Stock Market and such other markets in which the Company's securities trade, except that it shall not delegate its responsibilities with regard to any matter that involves compensation of executive officers where it has determined that such compensation is intended to comply with Section 162(m) of the Code by virtue of it being approved by a committee of "outside directors" or is intended to be exempt from Section 16(b) under the Exchange Act pursuant to Rule 16b-3 by virtue of being approved by a committee of "non-employee directors."