



**CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS OF
NOVABAY PHARMACEUTICALS, INC.**

1. Purposes.

The primary purposes of the Compensation Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of NovaBay Pharmaceuticals, Inc. (the “**Company**”) are to (a) determine or recommend to the Board the cash and non-cash compensation of the Company’s executive officers (as defined in the rules promulgated under Section 16 of the Securities Exchange Act of 1934, as amended), (b) evaluate the performance of the Company’s executive officers and oversee management succession planning, (c) administer or make recommendations to the Board with respect to the administration of the Company’s equity-based and other incentive compensation plans; and (d) oversee the preparation of the “Compensation Disclosure and Analysis” and the related Compensation Committee Report for inclusion in the Company’s annual proxy statement.

2. Composition.

(a) At Least Three Members. The Committee shall consist of a minimum of three independent directors as defined in Section 2(b) below. The Board shall designate a Committee member as the Chairperson of the Committee, or if the Board does not do so, the Committee members shall appoint a Committee member as Chairperson by a majority vote of the authorized number of Committee members..

(b) Independence. All members of the Committee shall be “**independent**” as determined by the Board and as defined in the listing standards of the New York Stock Exchange Mkt or such other national securities exchange on which the Company’s securities are then listed, as the same may be amended from time to time (the “**listing standards**”), the rules and regulations of the Securities and Exchange Commission (the “**SEC**”) and any other laws applicable to the Company. In addition, all Committee members shall qualify as “**non-employee directors**” within the meaning of SEC Rule 16b-3 as promulgated under the Securities Exchange Act of 1934, amended, and as “**outside directors**” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, or such successor provisions.

(c) Appointment. Subject to the requirements of the listing standards and the bylaws of the Company, the Board shall appoint Committee members to serve on the Committee and the Board may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee.

3. Meetings, Reports and Resources of the Committee.

(a) Meetings. The Committee shall meet as often as it determines necessary or advisable, but not less than once a year. The Chairperson or a majority of the Committee members may call meetings of the Committee. The Committee may also hold special meetings or act by unanimous written consent as the Committee may decide. The meetings may be in person or telephone. The Committee shall keep

written minutes of its meetings and shall deliver a copy of such minutes to the Board and to the corporate secretary of the Company for inclusion in the Company's minute books. The Committee may meet in separate executive sessions with other directors, the Chief Executive Officer and other Company employees, agents or representatives invited by the Committee, provided, however, that the Company's Chief Executive Officer is not permitted to be present during any Committee or Board meetings during the deliberations or voting on his compensation.

(b) Procedures. The Committee may establish its own procedures, including the formation and delegation of authority to subcommittees, in a manner not inconsistent with this charter, the bylaws, applicable laws or regulations, or the listing standards. Any Committee member may call a meeting of the Committee. A majority of the authorized number of Committee members shall constitute a quorum for the transaction of Committee business, and the vote of a majority of the Committee members present at the meeting at which a quorum is present shall be the act of the Committee, unless in either case a greater number is required by this charter, the bylaws, applicable laws or regulations, or the listing standards.

(c) Reports. The Committee shall provide to the Board at an appropriate time prior to preparation of the Company's proxy statement for its Annual Meeting of Stockholders, a report of the Committee, which report shall be included in such proxy statement. The report shall include a discussion of the Committee's compensation policies applicable to the Company's executive officers and such other information as may be required under the SEC's rules and regulations and the listing standards. The Committee shall also report to the Board on the major items covered by the Committee as it may determine to be appropriate.

(d) Committee Access and Resources. The Committee is at all times authorized to have direct, independent and confidential access to the Company's other directors, management and personnel to carry out the Committee's purposes. The Committee shall have the sole authority to retain and terminate, at the Company's expense, any compensation-consulting firm to assist in evaluating director, executive officer or Chief Executive Officer compensation, and to approve the consulting firm's fees and other retention terms. The Committee is also authorized to retain at the Company's expense, internal or external legal, accounting or other advisers selected by the Committee for matters related to the Committee's purposes (and to terminate any such external advisers so retained).

4. Authority and Responsibility.

In furtherance of its purposes, the Committee shall have the following authority and responsibilities:

(a) Compensation Goals and Objectives. To establish, approve and review the overall corporate policies, goals and objectives for the compensation of the Company's Chief Executive Officer and other executive officers, including a review of the relationship of executive compensation to corporate performance and relative stockholder return, and, additionally in the case of the Company's Chief Executive Officer, the value of similar incentive awards to chief executive officers at comparable companies and the awards given to the Company's Chief Executive Officer in past years, except to the extent already addressed in any existing officer contracts.

(b) Determination of Compensation. Annually evaluate the performance of the Chief Executive Officer and other executive officers in light of the corporate goals and objectives, and, either as a committee or together with the other independent directors (as directed by the Board), determine and approve the compensation of the Company's Chief Executive Officer based on this evaluation. Make recommendations to the Board regarding the compensation of other executive officers, including individual elements of salary, bonus, incentive and equity compensation, and perquisites. The Committee

may consult with the Chief Executive Officer in determining the executive compensation for any executive officer other than the Chief Executive Officer.

(c) Officer Contracts. Review, approve and evaluate annual compliance with all employment agreements, separation and severance agreements, and other compensatory contracts, arrangement, prerequisites and payments for the executive officers and ensure such agreements are consistent with the Company's general compensation goals.

(d) Oversight of Equity and Incentive Plans. Periodically review and make recommendations to the Board concerning the Company's equity and other incentive compensation plans, including the need to amend existing plans or adopt new plans or arrangements.

(e) Equity Plan Awards. Assist the Board in the administration of the Company's stock option plans and any equity or incentive compensation plans of the Company, and make recommendations to the Board as to stock options grants and other discretionary awards (including restrictions on such grants or awards) under such plans with respect to the administration of plans as to the executive officers. The Committee shall have all authority of the Board to administer such plans including the authority to make grants of stock, stock options, restricted stock units, stock appreciation rights or similar awards to individuals eligible to receive such awards under the Company's equity or incentive compensation plans. The Committee delegates to the Chief Executive Officer the authority to grant new hire employee equity awards so long as they are within the established guidelines.

(f) Pension and Retirement Plans. The Committee shall review at least annually the Company's pension and retirement plans, including any supplemental executive retirement plans, and make recommendations to the Board regarding the need to amend existing plans or adopt new ones for the purpose of implementing the Committee's strategy regarding pension and retirement benefits.

(g) Compensation Discussion and Analysis. Oversee the preparation of a "compensation discussion and analysis" and a related "compensation committee report" for inclusion in the Company's annual proxy statement and Form 10-K, in accordance with the rules of the SEC. The Committee shall review and discuss the compensation discussion and analysis with management each year prior to preparing the compensation committee report.

(h) Annual Review of Charter and Performance Evaluation. Review this charter annually and recommend to the Board any changes it considers to be appropriate. The Committee shall conduct an annual evaluation of the Committee's performance and shall present its finding and conclusions to the Board.

(i) Compliance with Legal Requirements. Perform any other functions required by applicable law, rules or regulations, including the rules of the SEC and the rules of any exchange or market on which the Company's securities are traded. The Committee also shall perform such other functions as are delegated to it by the Board from time to time.