



Compensation Committee Charter

Purpose

The role of the Compensation Committee (the “Committee”) of the Board of Directors is to determine the cash compensation and equity compensation of the Company’s executive officers.

Decisions of the Committee relating to the executive officers’ base salaries and cash bonuses are subject to the review and approval of the full Board of Directors. Decisions of the Committee relating to the executive officers’ stock options are reviewed by the full Board but are not subject to the Board’s approval.

Executive Compensation Policies

The Company’s executive compensation policies seek to coordinate executive officers’ compensation with the Company’s performance objectives and business strategy. These policies are intended to attract, motivate and retain executive officers whose contributions are critical to the Company’s long-term success and to reward executive officers for attaining individual and Company objectives that enhance stockholder value.

The Company’s compensation program for executive officers consists of cash compensation and long-term compensation. Cash compensation is paid in the form of a base salary and a discretionary cash bonus, and long-term compensation is paid in the form of stock options. Bonuses are intended to provide executive officers with an opportunity to earn additional cash compensation through individual and collective performance. Stock options are intended to focus executive officers on managing the Company’s business from the perspective of owners with an equity interest and to align their long-term compensation with the benefits realized by our stockholders.

Membership

The Committee shall be composed of three or more directors, as the Board of Directors determines. Each member of the Committee shall be appointed annually by the Board upon the recommendation of the Nominating and Governance Committee and may be removed by the Board at any time in the Board’s discretion.

Each member of the Committee shall meet (i) the independence requirements of the listing standards of the Nasdaq Stock Market (except as otherwise may be allowed by those rules in exceptional circumstances), (ii) the “non-employee director” definition for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and (iii) the “outside director” definition for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended.

In determining whether a director is eligible to serve on the Committee, the Board shall consider

all factors specifically relevant to determining whether the director has a relationship to the Company which is material to that director's ability to be independent from management in connection with the duties of a Committee member, including, but not limited to, (i) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director and (ii) whether such director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

Responsibilities

On an annual basis, the Committee shall:

- review the respective salaries of the Company's executive officers in light of the Company's goals and objectives relevant to each officer, including, as the Committee deems appropriate, consideration of (i) the individual officer's salary grade, scope of responsibilities and level of experience, (ii) the rate of inflation, (iii) the range of salary increases for the Company's employees generally, and (iv) the salaries paid to comparable officers in comparable companies. The Company's President and Chief Executive Officer may not be present during the Committee's deliberations or voting on his compensation.
- determine appropriate cash bonuses, if any, for the Company's executive officers (based upon an applicable percentage of base salary as determined by the Committee), after consideration of specific individual and Company performance goals and criteria.
- recommend to the Board of Directors for its approval the annual base salaries and discretionary cash bonuses, if any, for the Company's executive officers.
- grant stock options under the Company's stock option plans to the Company's executive officers and determine the terms, conditions, restrictions and limitations of the options granted. In this regard, the number of shares of stock for which options are granted shall be based on a formula taking into account, as the Committee deems appropriate, each officer's salary grade and the Company's financial performance as measured by a trailing average of the market price of the Company's stock, adjusted by a factor reflecting the Committee's assessment of the individual officer's performance, initiative, contribution to the Company's success and total compensation package. Decisions of the Committee relating to the stock options granted to executive officers may be reviewed by the Board of Directors but are not subject to the Board's approval.
- prepare a report on executive compensation for inclusion in the Company's annual proxy statement.
- review and assess the adequacy of the Committee's charter and recommend any proposed changes to the Board of Directors for approval.
- in addition, the Committee shall administer the Company's stock options in which its executive officers are eligible to participate, insofar as the executive officers are concerned.

Procedures

The Committee shall meet as necessary at the call of the chairman or any two members of the Committee. Two members of the Committee shall constitute a quorum, and all actions of the Committee at a meeting at which a quorum is present shall be taken by majority vote. A member of the Committee may participate in any meeting of the Committee by a conference telephone call or other means that enable all persons participating in the meeting to hear one another, and participation in this manner shall constitute presence in person at the meeting. The Committee also may act by the unanimous written consent of its members. The Committee shall make regular reports of its proceedings to the Board of Directors.

The members of the Committee shall elect a chairman, and the chairman shall appoint a secretary of the Committee, who may be one of the members of the Committee or the secretary or an assistant secretary of the Company. The secretary of the Committee shall prepare minutes of the meetings, maintain custody of copies of reports, information and data furnished to and used by the Committee, and generally assist the Committee in connection with preparation of agendas, notices of meetings and other matters.

Authority

In carrying out its responsibilities:

(a) The Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser. The Committee shall have the sole discretion to retain compensation advisers.

(b) The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser retained by the Committee.

(c) The Company shall provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the Committee.

(d) The Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the Committee, other than in-house legal counsel, only after taking into consideration the following six factors:

(i) the provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;

(ii) the amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;

(iii) the policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;

(iv) any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Committee;

(v) any stock of the Company owned by the compensation consultant, legal counsel or other adviser; and

(vi) any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.

Nothing in the preceding provisions shall be construed: (i) to require the Committee to implement or act consistently with the advice or recommendations of the compensation consultant, legal counsel or other adviser to the Committee; or (ii) to affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of the Committee's duties.

The Committee is required to conduct the independence assessment described in the preceding provisions with respect to any compensation consultant, legal counsel or other adviser that provides advice to the Committee, other than in-house legal counsel. However, nothing requires a compensation consultant, legal counsel or other compensation adviser to be independent; the requirement is only that, subject to the exception described in the following paragraph, the Committee considers the six independence factors before selecting, or receiving advice from, a compensation adviser. The Committee may select, or receive advice from, any compensation adviser that it prefers, including one that is not independent, after considering the six independence factors.

In addition, the Committee is not required to conduct an independence assessment for a compensation adviser that acts in a role limited to either or both of the following activities for which no disclosure is required under Item 407(e)(3)(iii) of SEC Regulation S-K: (a) consulting on any broad-based plan that does not discriminate in scope, terms, or operation in favor of executive officers or directors of the Company, and that is available generally to all salaried employees; or (b) providing information that either is not customized for the Company or that is customized based on parameters that are not developed by the adviser and about which the adviser does not provide advice.