

Charter of the Compensation Committee¹

of the Board of Directors of

Model Co

As Adopted by the Board of Directors
April 10, 2003

This Charter sets forth, among other things, the purpose, membership and duties and responsibilities of the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Model Co (the "Corporation").

1. Purpose

The purpose of the Committee is: (a) to discharge the Board's responsibilities relating to compensation of the Corporation's executives; and (b) to prepare any report on executive compensation required by the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") for inclusion in the Corporation's annual proxy statement.²

2. Membership

The Committee shall consist of at least [three] members.³ The members of the Committee shall be appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee, which shall recommend for Committee membership such directors as it believes are qualified. Members of the Committee shall serve at the pleasure of the Board for such term or terms as the Board may determine.⁴

Each member of the Committee shall satisfy the director independence requirements of the New York Stock Exchange.⁵ Each Committee member shall be a "Non-Employee Director" for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as in effect from time to time, and an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code, as in effect from time to time.

¹ The proposed NYSE corporate governance rules require a written compensation committee charter.

² Proposed NYSE § 303A.5(b)(i).

³ The proposed NYSE rules do not prescribe the number of members for compensation committees.

⁴ Commentary to proposed NYSE § 303A.5 requires the charter to address Committee member qualifications, appointment and removal.

⁵ Proposed NYSE § 303A.5(a) requires that the Committee be composed entirely of independent directors. For a Nasdaq issuer, the reference to the "New York Stock Exchange" should be replaced by a reference to the "Nasdaq." In addition, it should be noted that proposed Nasdaq Rule 4350(c)(3)(C), allows, *under certain exceptional and limited circumstances*, one non-independent director to sit on the Committee subject to certain conditions.

3. Structure and Operations

The Board shall designate one member of the Committee as its chairperson. The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution. The Committee may create one or more subcommittees and may delegate, in its discretion, all or a portion of its duties and responsibilities to such subcommittees.⁶

The Committee shall have at least three regularly scheduled meetings per year, at such times and places as shall be determined by the Committee chairperson, and may have such additional meetings as the Committee chairperson or a majority of the Committee's members deem necessary or desirable. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications arrangements by means of which all persons participating in the meeting can hear each other. The Committee may invite such members of management to its meetings as it may deem desirable or appropriate, consistent with the maintenance of the confidentiality of compensation discussions.⁷

4. Duties and Responsibilities⁸

The Committee's duties and responsibilities shall include each of the items enumerated in this Section 4 and such other matters as may from time to time be delegated to the Committee by the Board.

(a) The Committee shall establish the Corporation's general compensation philosophy, and, in consultation with senior management, oversee the development and implementation of compensation programs.

(b) The Committee shall, at least annually, review and approve corporate goals and objectives relevant to the compensation of the Corporation's Chief Executive Officer (the "CEO"), evaluate the performance of the CEO in light of those goals and objectives, report the

⁶ Commentary to proposed NYSE § 303A.5 requires the charter to address the Committee's structure and operations, including authority to delegate to subcommittees.

⁷ Proposed Nasdaq Rules 4350(c)(3)(A) does not allow the CEO or non-independent directors to be present at a meeting determining the CEO's compensation. For a Nasdaq company, the following proviso could be added at the end of the sentence: "provided, however, that the Committee shall meet in executive session when it considers the compensation of the Chief Executive Officer." This may be something that every company may want to consider.

⁸ Unlike the proposed NYSE corporate governance rules, the proposed Nasdaq rules do not specify in detail the duties and responsibilities of the compensation committee. A Nasdaq issuer could therefore decide to shorten the list of duties and responsibilities of its compensation committee. Nevertheless, the charter of a Nasdaq issuer's compensation committee should include the duties and responsibilities listed in this model.

results of such evaluation to the Board and set the CEO's compensation level based on this evaluation.⁹

(c) The Committee shall, at least annually, review and approve all compensation arrangements with the CEO and the other senior executives of the Corporation, including, without limitation: (i) the annual base salary level; (ii) the annual incentive opportunity level; (iii) the long-term incentive opportunity level; (iv) employment agreements, severance arrangements and change-in-control agreements/provisions, in each case as, when and if appropriate; and (v) any special or supplemental benefits.¹⁰

(d) The Committee shall review and make recommendations to the Board with respect to the Corporation's executive compensation plans, including incentive compensation plans and equity-based plans, oversee the administration of these plans and discharge any responsibilities imposed on the Committee by any of these plans.¹¹

(e) The Committee shall periodically review the compensation of the Corporation's directors and make recommendations to the Board with respect thereto.

(f) The Committee shall oversee the Corporation's regulatory compliance with respect to compensation matters, including the Corporation's policies on structuring compensation programs to preserve tax deductibility, and, as and when required, establishing performance goals and certifying that performance goals have been obtained for purposes of Section 162(m) of the Internal Revenue Code.

(g) The Committee shall report to the Board periodically on all matters for which the Committee has responsibility.¹²

⁹ Proposed NYSE § 303A.5(b)(ii)(A) and related commentary. The commentary states that, in determining the long-term incentive component of the CEO's compensation, the Committee should consider, among such other factors as it believes relevant, the Corporation's performance and relative shareholder return, the value of similar incentive awards to chief executive officers at comparable companies, and the awards given to the CEO in past years.

¹⁰ The proposed NYSE corporate governance rules do not specify which "senior executives of the Corporation" need to have their compensation approved by the Committee. The proposed Nasdaq rules are more specific in this respect. Under proposed Nasdaq rule 4350(c)(3)(B), the "officers" of the Corporation whose compensation is subject to the independent director oversight (i.e. subject to approval by the Committee if the Corporation has one) are determined by reference to the definition of "officers" in Rule 16a-1 under the Exchange Act. The definition of "officers" in Rule 16a-1 applies, in addition to the CEO, to the Corporation's president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice president in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Corporation. In addition, officers of the Corporation's parent(s) or subsidiaries shall be deemed officer of the Corporation if they perform such policy-making function of the Corporation.

¹¹ Proposed NYSE § 303A.5(b)(ii)(B).

¹² Commentary to proposed NYSE § 303A.5 requires the charter to address Committee reporting to the Board.

(h) The Committee shall prepare an annual report regarding executive compensation for inclusion in the Corporation's annual proxy statement in accordance with applicable SEC rules and regulations.¹³

(i) The Committee shall undertake and review with the Board an annual performance evaluation of the Committee¹⁴, which shall compare the performance of the Committee with the requirements of this Charter and set forth the goals and objectives of the Committee for the upcoming year. The Committee shall conduct such performance evaluation in such manner as the Committee deems appropriate, and may report the results of its performance evaluation through an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report.

(j) The Committee shall annually review and reassess the adequacy of this Charter and recommend to the Board for approval such changes as the Committee believes are appropriate.

(k) The Committee shall exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board.

5. Authority and Resources

The Committee shall have the sole authority, without further approval by the Board, to select, retain and terminate a compensation consultant to assist in the evaluation of director, CEO or senior executive compensation and to approve any compensation payable by the Corporation to such consultant, including the fees, terms and other conditions for the performance of such services.¹⁵ In addition, the Committee may, without further approval by the Board, obtain such advice and assistance from outside accounting, legal or other advisors as the Committee determines to be necessary or advisable in connection with the discharge of its duties and responsibilities hereunder. Any accounting, legal or other advisor retained by the Committee may, but need not, be in the case of an outside accountant, the same accounting firm employed by the Corporation for the purpose of rendering or issuing an audit report on the Corporation's annual financial statements, or in the case of outside counsel or other advisor, otherwise engaged by the Corporation for any other purpose.

The Corporation shall pay to any compensation consultant or outside accounting, legal or other advisor retained by the Committee pursuant to the preceding paragraph such compensation,

¹³ Proposed NYSE § 303A.5(b)(i).

¹⁴ Proposed NYSE § 303A.5(b)(iii).

¹⁵ Commentary to proposed NYSE § 303A.5. The proposed Nasdaq rules do not require that the sole authority to select, retain and terminate a compensation consultant be vested with the Committee if the Corporation has one. Nevertheless, a Nasdaq issuer may want to consider inserting such a requirement in the charter of the Committee.

including, without limitation, usual and customary expenses and charges, as shall be determined by the Committee.