

# **CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF OSTEOTECH, INC.**

## **Purpose**

The purposes of the Compensation Committee (the "Committee") established pursuant to this charter are to assist the Company's Board of Directors (the "Board") in the discharge of its responsibilities with respect to compensation for the Company's executive officers and independent directors, report annually to the Company's stockholders on executive compensation matters, administer the Company's equity-based compensation plans, and take or cause to be taken such other actions and address such other matters as the Board may from time to time authorize or permit the Committee to undertake or assume responsibility for.

## **Membership and Power to Act**

The Compensation Committee will be comprised of at least two members of the Board of Directors. Unless a chair is elected by the Board, the members of the Committee may designate a chair by vote of the Committee.

As long as the Company's Common Stock remains publicly traded, each member of the Committee will be (1) "independent" as defined under applicable Nasdaq (or applicable stock exchange) rules (except as otherwise permitted under such rules), (2) a "non-employee director" under Rule 16b-3(b)(3)(i) promulgated under the Securities Exchange Act of 1934, and (3) an "outside director" under the rules promulgated under Section 162(m) of the Internal Revenue Code of 1986.

The Board reserves the right at any time to revoke or change the authority delegated hereunder, and the Board simultaneously reserves to itself all authority delegated hereunder to the Committee. This reservation of authority does not in any way limit the Committee's authority to act definitively on matters delegated to it hereunder.

The Committee may act by unanimous written consent.

## **Responsibilities**

The authority delegated to the Committee is that necessary for the Committee to carry out its functions as the body responsible for overseeing all matters related to the Company's compensation programs. A non-exclusive list of specific authority delegated to the Committee is set forth below. This description of authority is intended as a guide and the Committee may act and establish policies and procedures that are consistent with these guidelines or are necessary or advisable, in its discretion, to carry out the intent of the Board in delegating such authority and to fulfill the responsibilities of the Committee hereunder.

1. The Committee has exclusive authority to determine the amount and form of compensation paid to the Company's Chief Executive Officer, and to take such action, and to direct the Company to take such action, as is necessary and advisable to compensate the CEO in a manner consistent with its determinations. The Committee will review at least annually the Chief Executive Officer's performance, including in light of goals and objectives established for such performance, and in light of such review determine his or her compensation.<sup>1</sup>
2. The Committee has authority to determine the amount and form of compensation paid to the Company's executive officers, officers, employees, consultants and advisors and to review the performance of such persons in order to determine appropriate compensation, as well as to establish the Company's general compensation policies and practices and to administer plans and arrangements established pursuant to such policies and practices. The Committee has authority to take such action, and to direct the Company to take such action, as is necessary and advisable to compensate such persons and to implement such policies and practices in a manner consistent with its determinations. It is expected that the Committee may delegate its authority on these matters with regard to non-officer employees and consultants of the Company to officers and other appropriate Company supervisory personnel.
3. The Committee has authority to administer the Company's equity compensation plans, including without limitation, subject to stockholder or Board approval as required, to recommend the adoption of such plans, to recommend the reservation of shares of Common Stock for issuance thereunder, to amend and interpret such plans and the awards and agreements issued pursuant thereto, and to make awards to eligible persons under the plans and determine the terms of such awards.
4. The Committee has authority to select, engage, compensate and terminate compensation consultants, legal counsel and such other advisors as it deems necessary and advisable, and to delegate said authorities to such officers of the Company as the Committee deems necessary in order to assist the Committee in carrying out its responsibilities and functions as set forth herein. Compensation paid to such parties and related expenses will be borne by the Company and the Company will make appropriate funding available to the Committee for such purposes.
5. Except with respect to the responsibilities set forth in Section 1 above, the Committee may delegate its authority granted under this charter to a subcommittee of the Committee (consisting either of a subset of members of the Committee or, after giving due consideration to whether the eligibility criteria described above with respect to Committee members and whether such other Board members satisfy such criteria, any members of the Board). In addition, to the extent permitted by applicable law, the Committee may delegate to a subcommittee comprised of one or more officers of the Company (or other appropriate supervisory personnel) the authority to grant stock options and other stock awards to employees or consultants (who are not executive officers or members of the Board) of the Company or of any subsidiary of the Company.

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<sup>1</sup> The Compensation Committee may either determine the compensation of the Chief Executive Officer or make recommendations to the independent members of the Board. Nasdaq Rule 4350(c)(3).

6. The Committee will prepare an annual report to the Company's stockholders on executive compensation and review the Company's Compensation Discussion and Analysis, each of which will be included in the Company's annual report or proxy statement for its annual stockholders' meeting in accordance with the rules and regulations of the Securities and Exchange Commission.
7. The Committee will make regular reports to the Board with respect to significant actions and determinations made by the Committee.
8. The Committee will from time to time review this charter and make recommendations to the Board with regard to appropriate changes to the charter.
9. The Committee will from time to time review its own performance and report on its conclusions in this regard to the Board.
10. The Committee has the authority to perform such other activities and functions as are required by law, applicable Nasdaq (or stock exchange) rules or provisions in the Company's charter documents, or as are otherwise necessary and advisable, in its or the Board's discretion, to the efficient discharge of its duties hereunder.

### **Reports**

The Committee will record its actions and determinations in written form. These records will be incorporated as a part of the minutes and actions of the Board.