

# **COMPENSATION COMMITTEE CHARTER**

## **CTI INDUSTRIES CORPORATION**

### **Establishment and Function of Committee.**

There shall be a committee of the Board of Directors of CTI INDUSTRIES CORPORATION ("CTI") to be known as the Compensation Committee ("Committee"). The purpose and function of the Committee shall be to review, evaluate and make recommendations to the Board of Directors of CTI concerning the compensation of officers, directors and senior members of management of CTI and its subsidiaries.

### **Committee Membership**

The Committee will be composed of at least three directors, all of whom shall satisfy the definition of "independent" under the listing standards of The NASDAQ Stock Market. All Committee members shall also be independent non-employee directors as defined by Rule 16b-3 under the Securities Exchange Act of 1934 and "outside directors" as required by Section 162(m) of the Internal Revenue Code. The Committee members will be appointed by the Board of Directors of CTI and may be removed by the Board in its discretion. The Committee shall have the authority to delegate any of its responsibilities to subcommittees, as the Committee may deem appropriate, provided that the subcommittees are composed solely of independent directors.

### **Meetings**

The Committee shall meet as often as it deems necessary in order to perform the Committee's responsibilities, but in no event less than two times each year.

### **Committee Authority and Responsibilities**

The authority and responsibilities of the Committee shall include the following:

- The Committee shall have responsibility for developing and maintaining an executive compensation policy that (i) supports CTI's business strategy and objectives, (ii) establishes and maintains a relationship between levels of compensation and corporate performance and returns to shareholders, (iii) provides overall competitive compensation levels which will attract and retain key executives, (iv) creates proper incentives to enhance shareholder value, (v) rewards superior performance and (vi) is justified by the returns available to shareholders.
- The Committee shall have responsibility for review, evaluation and recommendations to the Board concerning the salary, incentive compensation and other compensation items for the Chief Executive Officer, all Named

Executive Officers, other senior members of management, members of the Board of Directors and certain of the senior management of CTI subsidiaries.

- The Committee shall have responsibility for review, evaluation and recommendations concerning the adoption, terms, maintenance and implementation of compensation and benefit plans of CTI, including amendments to existing plans, including cash and equity based incentive compensation plans, stock option plans, retirement plans and deferred compensation plans.

The Committee shall recommend annually subjective and objective criteria to serve as the basis for the Chief Executive Officer's compensation, evaluate the Chief Executive Officer's performance in light of those criteria and recommend the Chief Executive Officer's compensation based on that evaluation.

- In establishing or recommending the compensation to be paid to executive officers, the Committee shall utilize, where it deems appropriate, comparative data regarding compensation practices. The Committee may retain one or more compensation consultants or other advisors to assist the Committee with its duties. The Committee shall have the sole authority to approve the fees and other retention terms of any such consultant or advisor.
- With respect to the Company's equity-based compensation plans, the Committee shall approve grants of stock options, restricted stock, performance shares, stock appreciation rights, and other equity based incentives to the extent provided under the compensation plans. The Committee may delegate to the Chief Executive Officer all or part of the Committee's authority and duties with respect to grants and awards to individuals who are not subject to the reporting requirements and other provisions of Section 16 of the Securities and Exchange Act of 1934, as amended.
- The Committee shall from time to time review and make recommendations to the Board of Directors regarding the compensation of non-employee directors.
- The Committee shall provide, over the names of the Committee members, the required Compensation Committee report for the Company's proxy statement for the annual meeting of shareholders.
- The Committee shall have available to it such support personnel, including management staff, outside auditors, attorneys and consultants, and to incur such expenses to be paid by the Corporation, as it deems necessary or appropriate to discharge their responsibilities.
- The Committee shall consider the application of Section 162(m) of the Internal Revenue Code to the Company and its compensation practices.

- The proceedings of the Committee meetings shall be documented in minutes. At the next regular Board meeting following any Committee meeting, the Chairman of the Committee shall report to the Board of Directors on behalf of the Committee.
- The Committee shall cause to be provided to NASDAQ appropriate written confirmation of any of the foregoing matters as NASDAQ may from time to time require.
- On an annual basis, the Committee shall perform an evaluation of the performance of the Committee, and report to the Board of Directors the results of such evaluation, and shall review and reassess the adequacy of the Charter of the Compensation Committee and submit any proposed changes in the Charter to the Board of Directors for review.

ADOPTED: