

**PREMIUM STANDARD FARMS, INC.**

**CHARTER OF THE COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS  
(as of May 6, 2005)**

**1. Mission Statement**

The Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Premium Standard Farms, Inc. (the “Company”) will oversee and evaluate the compensation of the executive officers of the Company and its subsidiaries (and their performance relative to their compensation) and assure that they are compensated effectively in a manner consistent with the stated compensation strategy of the Company, internal equity considerations, competitive practices, and the requirements of the appropriate regulatory bodies. The Committee also will communicate to stockholders regarding the Company’s compensation policies and the reasoning behind those policies as required by the Securities and Exchange Commission (the “SEC”). In addition, the Committee will evaluate and make recommendations regarding the compensation of the directors, including their compensation for services on Board committees. The Compensation Committee will provide assistance to the Board in determining the appropriate compensation and incentive programs for the directors and executive officers of the Company in order to (i) encourage effective recruitment and retention of those individuals, and (ii) align the interests of those individuals with the interests of the Company and its stockholders.

**2. Membership and Qualification**

The Committee members will be elected by the Board and will serve at the discretion of the Board. The Committee will consist of not less than two directors, each of whom will be an “independent director” as defined in NASD Rule 4200(a)(15), as may be amended from time to time, a “non-employee director” within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (the “Exchange Act”) by the SEC, and an “outside director” under Section 162(m) of the Internal Revenue Code and related regulations, all as amended from time to time. The Committee members will be elected annually by the Board for a term of one year, or until their successors are duly elected and qualified. The Board also appoints the Committee Chairman.

**3. Meetings and Other Actions**

The Committee will meet at least once a year and at such additional times as may be necessary to carry out its responsibilities. Meetings may be called by the Chairman of the Committee, the Chairman of the Board or the Chief Executive Officer of the Company. All meetings and other actions of the Committee will be held and taken pursuant to the Bylaws of the Company (including, without limitation, bylaw provisions governing notice of meetings and waiver thereof, the number of Committee members required to take actions at meetings and by written consent) and the General Corporation Law of the State of Delaware.

Unless otherwise authorized by the Board, the Committee will not delegate any of its authority to any subcommittee.

Reports of meetings of and actions taken at meetings or by consent by the Committee since the most recent Board meeting (except to the extent covered in an interim report circulated to the Board) will be made by the Committee Chairman or his or her delegate to the Board at its next regularly scheduled meeting following the Committee meeting or action and will be accompanied by any recommendations from the Committee to the Board. In addition, the Committee Chairman or his or her delegate will be available to answer any questions the other directors may have regarding the matters considered and actions taken by the Committee.

#### **4. Goals, Responsibilities and Authority**

In carrying out its mission, the Committee will have the following responsibilities and authority (it being understood that the Committee may condition its approval of any compensation on Board ratification to the extent so required to comply with applicable tax law, such as Rule 162(m) of the Internal Revenue Service):

- (i) Periodically reassess the adequacy of and, if appropriate, propose to the Board, any desired changes in, the Committee's Charter.
- (ii) Review from time to time, modify if necessary, and approve: (a) the Company's corporate goals and objectives relevant to executive compensation, and (b) the structure of the Company's executive compensation to ensure that the structure is appropriate to achieve the Company's objectives of rewarding the Company's executive officers appropriately for their contributions to the Company's growth and profitability and the Company's other goals and objectives and linking the interests of the Company's executive officers to the long-term interests of the Company's equity owners through a mix of long- and short-term incentives.
- (iii) Review and evaluate annually the compensation (and performance relative to compensation) of the Chief Executive Officer and all other officers within the meaning of Rule 16a-1(f) promulgated under the Exchange Act by the SEC (the "Officers") to ensure that such compensation is consistent with the Company's goals and objectives.
- (iv) Determine the individual elements of total compensation for the Chief Executive Officer and the Officers, and communicate in the annual Board Compensation Committee Report to shareholders the factors and criteria on which the Chief Executive Officer and the Officers' compensation for the last year was based.
- (v) In determining the long-term incentive component of the Chief Executive Officer's compensation, the Committee should consider the Company's performance and relative stockholder return, the value of similar incentive awards to the Officers at comparable companies, and the awards given to the Company's Chief Executive Officer in prior years.

- (vi) Approve all special perquisites, special cash payments and other special compensation and benefit arrangements for the Company's Chief Executive Officer and the Officers.
- (vii) Periodically evaluate the terms and administration of the Company's annual and long-term incentive plans to assure that they are structured and administered in a manner consistent with the Company's goals and objectives as to participation in such plans, target annual incentive awards, corporate financial goals, actual awards paid to the Company's Officers, and total funds reserved for payment under the compensation plans.
- (viii) Periodically evaluate (and approve any proposed amendments to) existing equity-related plans and evaluate and approve the adoption of any new equity-related plans and determine when it is necessary (based on advice of counsel) or otherwise desirable: (a) to modify, discontinue or supplement any such plans; or (b) to submit such amendment or adoption to a vote of the full Board or the Company's stockholders.
- (ix) Periodically evaluate the compensation of directors, including for service on Board committees and taking into account the compensation of directors at comparable companies. Approve annual retainer and meeting fees for Board and committees of the Board and fix the terms and awards of any stock compensation for members of the Board.
- (x) Approve revisions to the Company's executive salary range structure, annual salary increase guidelines, and discuss those executive compensation arrangements with the Chief Executive Officer.
- (xi) Periodically evaluate the Company's employee benefit programs in which Officers of the Company participate (other than broad-based benefit programs) and approve any significant changes therein and determine when it is necessary (based on advice of counsel) or otherwise desirable to submit any such changes to a vote of the full Board or the Company's stockholders.
- (xii) Have sole authority to retain and terminate any compensation consultant engaged to assist in evaluating the compensation of the Company's directors, Chief Executive Officer or the Officers and to approve such consultant's fees and other terms of retention.
- (xiii) Approve separation packages and severance benefits for Officers to the extent that such packages are outside ordinary plan limits.
- (xiv) Perform such other duties and responsibilities as may be assigned to the Committee, from time to time, by the Board or the Chairman of the Board, or as designated in plan documents.
- (xv) Report to the Board on the major items covered at each Committee meeting.

## **5. Resources**

The Committee will have the right to use reasonable amounts of time of the Company's internal and independent accountants, internal and outside lawyers and other internal staff and also will have the right to hire independent compensation experts, lawyers and other consultants to assist and advise the Committee in connection with its responsibilities. The Committee will keep the Company's Chief Financial Officer advised as to the general range of anticipated expenses for outside consultants.

## **6. Board Authority**

Any action of the Compensation Committee, other than the grant of stock options or other discretionary awards under the Company's stock option or other equity incentive plans, may be revised, modified or rescinded by the Board, which retains ultimate authority for all matters delegated to this Committee.