

**COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS CHARTER**

**I. PREAMBLE**

The Board of Directors (the "Board") of Collegiate Funding Services, Inc. ("CFS") recognizes its oversight and guidance role within CFS. The Compensation Committee is a key committee utilized by the Board of CFS in the fulfillment of this oversight and guidance role.

**II. PURPOSE**

The Compensation Committee shall assist the Board of CFS in the discharge of its responsibilities relating to compensation and benefits programs of CFS, including executive compensation, compensation deferral plans, stock incentive and option plans, performance incentive award programs, fringe benefits plans of the principal corporate officers, and other associate plans. The Compensation Committee will fulfill these responsibilities and duties primarily by carrying out the activities enumerated in this Charter.

**III. COMPOSITION AND ORGANIZATION**

The Compensation Committee shall be comprised of three or more directors as determined by the Board of CFS, one of whom shall be: (i) a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended; (ii) an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended; and (iii) "independent" under The Nasdaq Stock Market ("NASDAQ") rules and free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member (collectively, the "Independence Requirements") at the time of the listing of shares of CFS's common stock on the NASDAQ (the "Listing Date") and each of whom shall be selected and retained in compliance with all applicable rules, regulations and statutes. Unless CFS is a "controlled company" under the NASDAQ rules, a majority of the members of the Compensation Committee will satisfy the Independence Requirements within 90 days of the Listing Date and all members of the Compensation Committee will satisfy the Independence Requirements within 12 months of the Listing Date. The Compensation Committee members shall be appointed for one-year terms at the annual meeting of the Board and shall serve until a replacement for each such member is duly elected and qualified or until such member's resignation or removal from the Board or the Compensation Committee. The members of the Compensation Committee may be removed from the Committee, with or without cause, by a majority vote of the Board. The Chairman of the Compensation Committee shall be designated by the Board. The Compensation Committee may form and delegate authority to subcommittees in compliance with applicable law when deemed appropriate by the Compensation Committee.

Notwithstanding the foregoing, so long as the Compensation Committee is composed of at least three directors, CFS may appoint one director to the Compensation Committee who does not meet the independence requirements of the NASDAQ rules, if the board, under exceptional and limited circumstances, determines that membership on the Compensation Committee by such director is required by the best interests of CFS and its shareholders, provided such director is not a current officer or employee or a family member (as defined in the NASDAQ rules) of a current officer or employee.

#### **IV. MEETINGS**

The Compensation Committee shall meet as needed at stated times without notice, or on notice to all by order of the Chairman of the Board, the Chief Executive Officer, the General Counsel or by one of the members of the Compensation Committee. The Compensation Committee shall hold executive sessions as necessary and/or as convened by the Chairman of the Compensation Committee. A majority of the Compensation Committee members shall constitute a quorum for the transaction of business. The action of a majority of those present at a meeting, at which a quorum is present, shall be the act of the Compensation Committee. The Compensation Committee may also take action by unanimous written consent or by conference communication by means of telephone or similar communications equipment by which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting. The Compensation Committee shall keep a record of its actions and proceedings, and the Chairman of the Compensation Committee shall make a report thereof from time to time to the Board.

#### **V. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, as described in section II above, the Compensation Committee shall:

1. With respect to the determination of executive compensation:
  - Recommend to the Board the salaries, bonuses, and other benefits provided for the principal corporate officers of CFS;
  - Specifically with respect to the Chief Executive Officer, review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate his performance in light thereof, and consider identified and other factors related to the performance of CFS in determining a recommendation to the Board on the compensation level of such executive;
  - Review and recommend to the Board the overall compensation of each newly elected principal corporate officer;
  - Evaluate on a periodic basis the competitiveness of the compensation of principal corporate officers and senior management of CFS; and
  - Establish and maintain performance-based compensation programs under Section 162(m) of the Internal Revenue Code.
2. With respect to incentive compensation plans, fringe benefit plans, deferred compensation plans, supplemental savings plans, and other equity compensation plans in which the Chief Executive Officer, other principal corporate officers, and the non-employee directors of CFS participate (the "Plans"), to the extent permitted by law and subject to the terms of the Plans:
  - Review, approve, and make recommendations to the Board regarding functional improvements or changes to the Plans or adoption of new plans when appropriate;

- Evaluate on a periodic basis the competitiveness of the Plans;
  - Specifically with respect to the Chief Executive Officer, review and approve corporate goals and objectives relevant to the Chief Executive Officer and evaluate his and CFS's performance taking into account prior awards and consider identified and other factors related to the performance of CFS in determining recommendations to the Board on the grants and awards to such executive under the Plans;
  - Act as Administrator and interpret all Plans in which the Compensation Committee has been designated as Administrator by the Board and periodically report any such interpretations to the Board;
3. Review and make recommendations to the Board of Directors with respect to the approval, amendment, and termination of CFS's other incentive compensation plans and any equity-based plans subject, where required, to shareholder approval, and administer such plans.
  4. With respect to associate pension plans and associate welfare benefits plans (i.e., medical, life insurance, disability, dental, etc.) (the "Benefits Plans") evaluate on a periodic basis the competitiveness of the Benefit Plans and recommend to the Board adoption of amendments to the Benefit Plans involving significant changes or improvements to the extent permitted by law and subject to the terms of the Benefit Plans.
  5. Periodically review and approve stock ownership guidelines for, and review the stock ownership of, principal corporate officers and senior management of CFS.
  6. Produce a report on executive compensation annually for inclusion in the proxy statement of CFS in accordance with applicable NASDAQ rules and other regulatory requirements.
  7. If appropriate, select, retain and, if warranted, replace or terminate compensation and benefits consultants to provide independent advice to the Compensation Committee. The Compensation Committee shall have sole authority to engage any such consultants, if deemed desirable or beneficial, and shall approve, in its sole discretion, the consultant's fees and other terms of any such engagement. The Compensation Committee may, in its discretion, consult with management of CFS prior to the engagement of any such consultant.
  8. From time to time, as the Compensation Committee shall deem appropriate, make recommendations to the Board regarding other issues related to the principal corporate officers, senior management, and key associates of CFS.
  9. Perform such other duties and responsibilities as may be assigned to the Compensation Committee, from time to time, by the Board, the Chairman of the Board and/or the Chief Executive Officer of CFS.
  10. Conduct a review and evaluation annually of the functioning of the Compensation Committee in such manner as the Compensation Committee deems appropriate.

11. Review and reassess, at least annually, the adequacy of this Charter and recommend to the Nominating and Governance Committee of the Board for consideration by the Board any improvements to this Charter that the Compensation Committee deems necessary or appropriate.

Effective as of July 21, 2004; adopted by the Board on June 21, 2004.