

## **NUTRISYSTEM, INC.**

### **COMPENSATION COMMITTEE CHARTER**

**(as adopted October 19, 2005)**

#### **PURPOSE**

The purpose of the Compensation Committee of the Board of Directors of NutriSystem, Inc. shall be to discharge the Board's responsibilities relating to compensation of NutriSystem's Chief Executive Officer and its chief executive officers. The Compensation Committee has overall responsibility for evaluating and recommending for approval by the Board of compensation plans, policies and programs for NutriSystem's CEO and its other executive officers. The Compensation Committee also has responsibility for evaluating and recommending for approval by the Board of the Board's own compensation.

The Compensation Committee shall also prepare the report required by the rules of the Securities and Exchange Commission to be included in NutriSystem's annual proxy statement.

#### **MEMBERSHIP REQUIREMENTS**

The Compensation Committee shall consist of no fewer than two members. The members of the Compensation Committee shall meet (i) the independence requirements of the listing standards of the Nasdaq National Market, (ii) the non-employee director definition of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended and (iii) the outside director definition of Section 162(m) of the Internal Revenue Code if 1986, as amended.

The members of the Compensation Committee shall be appointed by the Board. Compensation Committee members may be replaced by the Board.

#### **AUTHORITY AND RESPONSIBILITIES**

- The Compensation Committee shall review and approve corporate goals and objectives relevant to CEO compensation and evaluate NutriSystem's CEO's performance in light of those goals and objectives. The Compensation Committee shall share its recommendations regarding CEO compensation and CEO performance with the Board as a whole.
- The Compensation Committee shall annually review and recommend to the Board for approval the CEO's (a) annual base salary, (b) annual incentive bonus,

- including specific goals and amount, (c) equity compensation, (d) employment agreements, severance arrangements and change in control agreements/provisions and (e) other benefits, compensation or arrangements, if any. In determining the long-term incentive component of CEO's compensation, the Compensation Committee will consider, among other things, NutriSystem's performance and relative stockholder return, the value of similar incentive awards to CEO's at comparable companies and the awards given to NutriSystem's CEO in past years.
- For the executive officers, the Compensation Committee shall also have the authority to review annually and recommend to the Board for approval items (a) through (e) in the previous bullet.
  - The Compensation Committee shall make recommendations to the Board with respect to incentive compensation plans and equity-based plans as they deem appropriate for the CEO and other executive officers of NutriSystem.
  - The Compensation Committee shall make recommendations to the Board with respect to compensation of the Board of Directors.
  - The Compensation Committee may form and delegate authority to subcommittees when appropriate.
  - The Compensation Committee shall make regular reports to the Board.
  - The Compensation Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
  - The Compensation Committee shall annually review its own performance.
  - The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant to be used by NutriSystem to assist in the evaluation of CEO or executive officer compensation and shall have the sole authority to approve the consultant's fees and other retention terms. The Compensation Committee shall also have the authority to obtain advice and assistance from internal or external legal, accounting or other advisors.
  - The Compensation Committee will set its own schedule of meetings, with the option of holding additional meetings at such times as it deems necessary. The Compensation Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.
  - The Compensation Committee shall perform such other functions as assigned by law, NutriSystem's certificate of incorporation or bylaws of the Board.