

# **KMG AMERICA CORPORATION**

## **COMPENSATION COMMITTEE CHARTER**

December 21, 2004  
Amended as of November 9, 2005

Pursuant to Section 13.1 - 689 of the Virginia Stock Corporation Act and Article III of the Bylaws of KMG America Corporation, a Virginia corporation (the "Corporation"), the following shall constitute the Compensation Committee Charter (the "Charter") of the board of directors of the Corporation (the "Board"):

### **I. ORGANIZATION**

There shall be constituted a standing committee of the Board to be known as the compensation committee (the "Compensation Committee").

### **II. COMPOSITION AND SELECTION**

The Compensation Committee shall be comprised of three or more directors. The members of the Compensation Committee shall satisfy the independence requirements of the New York Stock Exchange as then in effect.

The members of the Compensation Committee shall be appointed by the Board on the recommendation of the Corporate Governance and Nominating Committee and may be removed by the Board. The members of the Compensation Committee shall serve for one year or until their successors are duly elected and qualified. Unless a Chairman is elected by the full Board, the members of the Compensation Committee shall designate a Chairman by majority vote of the full Committee.

The duties and responsibilities of Compensation Committee members contained herein shall be in addition to those duties otherwise required for members of the Board.

### **III. STATEMENT OF PURPOSE**

The Compensation Committee is appointed by the Board to discharge the Board's responsibilities relating to compensation of the Corporation's directors and officers. The Committee has overall responsibility for approving and evaluating the director and officer compensation plans, policies and programs of the Corporation.

### **IV. COMMITTEE OBJECTIVES**

The Compensation Committee's primary objectives include serving as an independent and objective party to review the compensation of the Corporation's directors and officers, and evaluating and approving director and officer compensation plans, policies and programs.

## **V. COMMITTEE AUTHORITY AND RESPONSIBILITIES**

The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, chief executive officer (“CEO”) or senior executive compensation and shall have sole authority to approve the consultant’s fees and other retention terms.

The Compensation Committee also shall have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

The Compensation Committee may form and delegate authority to subcommittees when appropriate.

The Compensation Committee shall:

1. Review and approve annually corporate goals and objectives relevant to CEO compensation; evaluate the CEO’s performance in light of those goals and objectives; either as a committee or together with the other independent directors (as directed by the Board), determine and approve the CEO’s compensation level based on this evaluation; and, in determining the long-term incentive component of CEO compensation, consider the Corporation’s performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies and the awards given to the CEO in past years;
2. Review and make recommendations to the Board annually with respect to the compensation of all directors;
3. Make recommendations to the Board with respect to non-CEO Section 16 officer compensation, incentive-compensation plans and equity-based plans;
4. Review and approve annually, for the CEO and Section 16 officers of the Corporation, (a) the annual base salary level; (b) the annual incentive opportunity level; (c) the long-term incentive opportunity level; (d) employment agreements, severance arrangements, and change in control agreements/provisions, in each case as, when and if appropriate; and (e) any special or supplemental benefits;
5. Produce an annual report on executive compensation as required by the Securities and Exchange Commission to be included in the Corporation’s proxy statement or, if the Corporation does not file a proxy statement, in the Corporation’s annual report on Form 10-K.
6. Make regular reports to the Board;
7. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval; and
8. Annually review its own performance.

## **VI. MEETINGS**

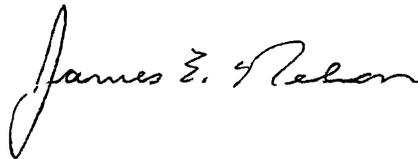
The Compensation Committee shall meet as often as may be deemed necessary or appropriate in its judgment and that of the Board. The Chairman or a majority of the members of the Compensation Committee may call meetings of the Committee upon reasonable notice to all members of the Committee. Following each meeting, the Compensation Committee shall report to the Board at the next regularly scheduled Board meeting, or sooner, as circumstances may dictate.

## **VII. CONSISTENCY WITH ARTICLES AND BYLAWS**

To the extent that any provision or section of this Charter may be inconsistent with any article, provision or section of the Corporation's Amended and Restated Articles of Incorporation, or the Corporation's Bylaws or any applicable law or regulation, the Amended and Restated Articles of Incorporation or the Bylaws or the laws or regulation, as appropriate, shall fully control.

## VIII. CERTIFICATION

This Compensation Committee Charter was duly approved and adopted by the Board of the Corporation on the 20<sup>th</sup> day of December, 2004 and was amended on November 9, 2005.

A handwritten signature in black ink that reads "James E. Nelson". The signature is written in a cursive style with a large, looping initial "J".

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James E. Nelson  
Secretary

