

BANDAG, INCORPORATED
CHARTER OF THE MANAGEMENT CONTINUITY AND
COMPENSATION COMMITTEE

(Adopted August 26, 2003)

Statement of Purpose

The Management Continuity and Compensation Committee (the “Committee”) shall discharge the responsibilities of the Board of Directors of Bandag, Incorporated, an Iowa corporation (the “Company”), relating to the compensation programs and compensation of the Company’s executive officers. In that role, the Committee shall have overall responsibility for approving and evaluating executive officer compensation plans, policies and programs of the Company. The Committee shall also administer all equity-based plans, such as stock option and restricted stock plans in accordance with the terms of such plans. In addition, the Committee shall (i) recommend to the Board of Directors the election of executive officers annually and as necessary to fill vacancies, and (ii) review and evaluate a successor plan relating to the Chief Executive Officer and a leadership development program for executive officers and key employees.

The Committee is also responsible for producing an annual report on executive officer compensation for inclusion in the Company’s annual proxy statement or in the Company’s annual report on Form 10-K, in accordance with applicable rules and regulations of the Securities and Exchange Commission.

Committee Membership and Qualifications

The Committee shall consist of not less than three members of the Board of Directors, each of whom shall meet the independence requirements of the New York Stock Exchange, Inc. and the Chicago Stock Exchange, Incorporated. Additionally, no director may serve on the Committee unless he or she (i) is a “Non-Employee Director” under the qualifications set forth in Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and (ii) satisfies the requirements of an “outside director” for purposes of Section 162(m)(4)(C) of the Internal Revenue Code.

Appointment and Removal of Committee Members

The Board of Directors shall appoint the members of the Committee annually or as necessary to fill vacancies on the recommendation of the Company’s Nominating and Corporate Governance Committee. Each member shall serve until his or her successor is duly elected and qualified or until such member’s earlier death, resignation or removal. The Board of Directors may remove any member of the Committee, with or without cause, by a majority vote.

Chairperson

The Board of Directors shall appoint the Chairperson of the Committee. The Chairperson will chair all regular sessions of the Committee and, in consultation with the Chairman of the Board of Directors, set the agendas for Committee meetings.

Meetings

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Any member of the Committee may call meetings of the Committee. All meetings of, and actions taken by, the Committee shall be held and taken pursuant to and in accordance with the Company's by-laws.

The Committee may invite to its meetings any officer, employee or director of the Company and such other persons as it deems appropriate in order to carry out its responsibilities. A member of management shall not, however, be present at any discussion or review where his or her performance and compensation is being determined.

Responsibilities and Duties

In furtherance of its purpose, the Committee shall have the following responsibilities and duties:

Setting Compensation for Executive Officers

1. The Committee shall review the overall compensation philosophy of the Company with respect to executive officers, and shall take such actions as the Committee deems necessary or appropriate.
2. The Committee shall establish corporate goals and objectives relevant to Chief Executive Officer and other executive officer compensation.
3. The Committee shall evaluate the performance of the Chief Executive Officer and other executive officers in light of those goals and objectives and, based on such evaluation, review and approve the annual salary, bonus, stock options and other benefits of the Chief Executive Officer and the other executive officers.
4. In determining the long-term incentive component of the Chief Executive Officer and other executive officers' compensation, the Committee will consider various evaluation criteria, including, but not limited to, the Company's performance and relative shareholder return, the value of similar incentive awards to chief executive officers and other executive officers at comparable companies, the implementation of the Company's business strategy, and the awards given to the Company's Chief Executive Officer and the other executive officers in past years.

5. In connection with executive officer compensation programs, the Committee shall:
 - a. Review on a periodic basis the operations of the Company's executive officer compensation programs to determine whether they are properly coordinated and achieving their intended purpose(s);
 - b. Establish and periodically review policies for the administration of executive officer compensation programs; and
 - c. To the extent deemed advisable, adopt new executive officer compensation programs.
6. The Committee shall periodically review the perquisites offered to executive officers.
7. The Committee shall review and approve all consulting contracts or arrangements, employment contracts, supplemental retirement benefits and severance or termination agreements with current or former executive officers of the Company.

Retention of Consultants and Other Advisors

8. The Committee shall have the authority to retain and terminate any compensation consultants or other advisors to assist it in any aspect of the evaluation of compensation for the CEO or other executive officers or on any other subject relevant to the Committee's responsibilities, including the authority to approve such consultant's or advisor's fees and other retention terms.

Equity-Based Compensation Plans

9. The Committee shall review and make recommendations to the Board of Directors with respect to adoption of equity-based plans, such as stock option plans, restricted stock plans or omnibus type plans which allow the grant of stock options, restricted stock, stock appreciation rights, performance units and similar equity-based grants. The Committee shall have and shall exercise all the authority of the Board of Directors with respect to the administration of such plans, including reviewing and approving all awards and grants under such plans (except that the Board of Directors shall administer such plans with respect to awards and grants to members of the Board of Directors), but shall have no authority to amend such plans.
10. The Committee shall monitor compliance by executive officers with the rules and guidelines of the Company's equity-based plans.

Miscellaneous

11. The Committee shall recommend to the Board of Directors the election of corporate officers.
12. The Committee shall review and evaluate the succession plan relating to the Chief Executive Officer and make recommendations to the Board of Directors with respect thereto. The Committee shall also review and make recommendations to the Board of Directors regarding a leadership development program for key executive officers and key employees.
13. The Committee shall review reports from management with respect to all pension and retirement plans, medical plans and other employee benefit plans.
14. The Committee shall review employee pension, profit sharing and benefit plans applicable to executive officers.

Reporting and Review Procedures

15. The Committee shall prepare annually a report on executive officer compensation for inclusion in the Company's proxy statement or annual report on Form 10-K in accordance with applicable rules and regulations of the Securities and Exchange Commission.
16. The Committee shall report regularly to the Board of Directors (i) following meetings of the Committee, (ii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities and (iii) with respect to such recommendations as the Committee may deem appropriate. The report to the Board of Directors may take the form of an oral report by the Committee's Chairperson or any other member of the Committee designated by the Committee to make such report.
17. The Committee shall maintain minutes or other records of meetings and activities of the Committee.

Subcommittees

The Committee may, from time to time, create subcommittees with respect to specified matters. The powers of any such subcommittee shall be solely limited to making recommendations for action by the Committee.

Annual Performance Evaluation

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee, including by reviewing the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this

Charter that the Committee considers necessary or appropriate. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.