

CARAUSTAR INDUSTRIES, INC.

**COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS**

CHARTER

I. PURPOSE

The primary function of the Compensation Committee (the “Committee”) is to assist the Corporation’s Board of Directors in discharging its responsibilities related to compensation of the Corporation’s directors and executive officers.

II. COMPOSITION

The Committee shall be comprised of three or more directors appointed by the Board, each of whom shall be independent within the meaning of applicable regulations, NASDAQ rules and such other criteria as the Board may establish. In addition, each member of the Committee shall be a “Non-Employee Director” under Rule 16b-3 of the Exchange Act and an “outside director” for purposes of Section 162(m) of the Internal Revenue Code. Notwithstanding the foregoing, no action of the Committee shall be void or invalid because of the participation of a director who does not meet these requirements.

Unless the Board appoints a Chair of the Committee, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

III. MEETINGS

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. The Committee may ask members of management or others to attend any meeting and provide information or advice as needed.

IV. ACTIVITIES

To fulfill its responsibilities, the Committee shall:

Chief Executive Officer Compensation

(1) Review and approve on an annual basis the Corporation’s goals and objectives for compensation of the Chief Executive Officer (“CEO”) and evaluate the CEO’s performance in light of those goals and objectives at least annually.

(2) Based on this evaluation, determine, or recommend to the Board for its determination, the CEO’s compensation, including salary, bonus, incentive and equity compensation (provided that the CEO may not be present during voting or deliberations on his or her compensation).

Other Compensation

(3) Review and approve on an annual basis the evaluation process and compensation structure of the Corporation's other executive officers and evaluate those other officers' performance at least annually.

(4) Based on this evaluation, determine, or recommend to the Board for its determination, the other executive officers' compensation, including salary, bonus, incentive and equity compensation.

(5) Review director fees and other compensation on a periodic basis and effect, or recommend to the Board, any changes that the Committee deems appropriate.

Equity and Incentive Plans

(6) Periodically review the Corporation's equity-based and other incentive plans and revise such plans, or recommend revisions or new plans to the Board, as the Committee deems appropriate.

(7) Exercising the full authority of the Board, administer the Corporation's equity-based and other incentive, compensation or benefit plans.

Other Responsibilities

(8) Prepare and publish an executive compensation report in the Corporation's proxy statement for the annual meeting of shareholders.

V. PROCESSES

After each Committee meeting, the Committee shall report its actions and recommendations to the Board.

The Committee shall conduct and present to the Board an annual review of its performance. In addition, the Committee shall review this Charter periodically and recommend any proposed revisions to the Board for its approval.

The Committee shall have the authority to delegate any of its responsibilities to subcommittees. The Committee shall also have the authority to engage compensation consultants, outside counsel and other advisors, as it deems appropriate, and to set the terms (including fees) of all such engagements. The Corporation shall provide for appropriate funding, as determined by the Committee, for paying fees to outside advisors engaged by the Committee.

Revised: February 18, 2004