

**CHARTER FOR THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS
OF MONACO COACH CORPORATION**

PURPOSE:

The purpose of the Compensation Committee established pursuant to this charter is to review and approve, and, where appropriate, to and make recommendations to the Board of Directors (the “Board”) regarding all forms of compensation to be provided to the employees and directors of, and consultants to Monaco Coach Corporation, a Delaware corporation, and its subsidiaries (the “Company”), including stock compensation and loans, and all bonus and stock compensation to all employees.

The Compensation Committee has the authority to undertake the specific duties and responsibilities listed below and will have the authority to undertake such other specific duties as the Board of Directors from time to time prescribes.

STATEMENT OF PHILOSOPHY:

The policy of the Compensation Committee is to maximize stockholder value over time. The primary goal of the Company’s Compensation Committee and its executive compensation program is therefore to closely align the interests of the officers with those of the Company’s stockholders. To achieve this goal the Committee attempts to (i) offer compensation opportunities that attract and retain executives whose abilities are critical to the long-term success of the Company; (ii) motivate individuals to perform at their highest level and reward outstanding achievement; (iii) maintain a significant portion of the executive’s total compensation at risk, tied to achievement of financial, organizational and management performance goals; and (iv) encourage executives to manage from the perspective of owners with an equity stake in the Company.

MEMBERSHIP:

The Compensation Committee shall consist of a minimum of two (2) non-employee directors of the Company as is determined by the Board. The members of the Compensation Committee are appointed by and serve at the discretion of the Board.

Each member of the Compensation Committee will be (i) an independent director as defined by the rules of the New York Stock Exchange, (ii) an “Outside Director” as such term is defined with respect to Section 162(m) of the Internal Revenue Code of 1986, as amended, and (iii) a “non-employee” director as defined under Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Accordingly, Compensation Committee membership must meet the criteria listed on Exhibit A, attached hereto.

RESPONSIBILITIES:

The responsibilities of the Compensation Committee include:

1. Unless otherwise determined by a majority of the independent directors of the Board meeting in executive session, review and approve decisions regarding the compensation of the Chief Executive Officer of the Company (the “CEO”) (for purposes of this Compensation Committee Charter, the compensation of the CEO and the other officers of the Company to be approved by the Compensation Committee hereunder shall include all “plan” compensation as such term is defined in Item 402(a)(7) of Regulation S-K promulgated under the Securities Act of 1933, as amended);
2. Unless otherwise determined by a majority of the independent directors of the Board, review and approve decisions regarding all forms of compensation to be provided to the officers of the Company;
3. Review and make recommendations to the Board regarding general compensation goals and guidelines for the Company’s employees and the criteria by which bonuses to the Company’s employees are determined;
4. Review and make recommendations to the Board regarding the compensation policy for the directors of and consultants to the Company;
5. Act as the Administrator (as defined under each plan) and administer, within the authority delegated by the Board, the Company’s equity compensation plans adopted by the Board (the “Plans”). In its administration of the Plans, the Compensation Committee may, pursuant to authority delegated by the Board, (a) grant stock options or stock purchase rights to individuals eligible for such grants (including grants to individuals subject to Section 16 of the Exchange Act in compliance with Rule 16b-3 promulgated thereunder), (b) amend such stock options or stock purchase rights, and (c) take all other actions permitted under the Plans. The Compensation Committee shall also make recommendations to the Board with respect to amendments to the plans and changes in the number of shares reserved for issuance thereunder;
6. Prepare a report (to be included in the Company’s proxy statement) which describes: (a) the criteria on which compensation paid to the CEO for the last completed fiscal year is based; (b) the relationship of such compensation to the Company’s performance; (c) the Compensation Committee’s executive compensation policies applicable to officers; and (d) the Company’s policies with respect to the \$1 million deduction limit for certain executive compensation imposed by Section 162(m) of the IRC;
7. Review its own charter, structure, processes and membership requirements from time to time;
8. As appropriate, obtain advice and assistance from outside legal, accounting or other advisors, including, without limitation, any compensation consultant to be used by the Company or the Compensation Committee in the evaluation of CEO, executive officer, employee or director compensation; and

9. Authorize the repurchase of shares from terminated employees pursuant to applicable law.

MEETINGS:

The Compensation Committee will meet at such times that it deems appropriate to fulfill its responsibilities of the Compensation Committee under this charter. The Compensation Committee shall establish its own schedule, which it will provide to the Board in advance. The members of the Compensation Committee may invite the Chief Executive Officer, the Vice President of Human Resources or any other person to attend meetings as appropriate.

MINUTES:

The Compensation Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

REPORTS:

The Compensation Committee will provide written reports to the Board of the Company regarding recommendations of the Compensation Committee submitted to the Board for action and copies of the written minutes of its meetings.

DELEGATION OF AUTHORITY:

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

EXHIBIT A

1. Each member of the Compensation Committee (“**Committee Member**”) shall be “independent,” as such term is defined by act of Congress and the rules and regulations of the SEC and the New York Stock Exchange. Accordingly, Committee Members shall not be:

(a) A director who is an employee or whose immediate family member is an executive officer of the Company until three years after the end of such employment relationship;

(b) A director who receives or whose immediate family member receives more than \$100,000 per year in direct compensation from the Company (other than director or committee fees and pension or other forms of deferred compensation for prior service, provided such compensation is not contingent in any way on continued service) until three years after he or she ceases to receive more than \$100,000 per year in such compensation;

(c) A director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company until three years after the end of the affiliation or the employment or auditing relationship;

(d) A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the Company’s present executives serve on that company’s compensation committee until three years after the end of such service or employment relationship; or

(e) A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company’s consolidated gross revenues, until three years after falling below such threshold.

2. Each Compensation Committee member shall be an “outside director” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “**IRC**”). Therefore, Committee Members shall not be:

- (a) A current employee of the Company or any member of its affiliated group;¹
- (b) A former employee of the Company or any member of its affiliated group who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year;
- (c) An officer of the Company or any member of its affiliated group; or
- (d) A recipient of remuneration from the Company or any member of its affiliated group, directly or indirectly, in a capacity other than as a director.²

3. The Compensation Committee shall consist of a minimum of two (2) Non-employee Directors (as such term is defined in Rule 16b-3(b)(3)(i) of the Exchange Act). Accordingly, at least two Committee Members shall not be:

- (a) An officer of the Company or a parent or subsidiary of the Company, or otherwise employed by the Company or a parent or subsidiary of the Company;

¹ An affiliated group generally means one or more chains of corporations with a common parent corporation where, except for the parent corporation, each corporation in the chain is at least 80% owned (measured both by the total voting power and value of the stock) by another corporation in the chain.

² An individual is considered a recipient of remuneration in each of the following circumstances:

- (a) Any remuneration is paid directly or indirectly to an individual personally or to an entity in which an individual has a 50% or greater beneficial ownership interest.
- (b) Any remuneration was paid by the Company or any member of its affiliated group in the preceding tax year to an entity in which an individual has a beneficial ownership interest of at least 5% but less than 50%, except for payments which did not exceed the lesser of 5% of the gross revenue of the entity or \$60,000.
- (c) Any remuneration was paid by the Company or any member of its affiliated group in the preceding tax year to an entity in which an individual is employed or self-employed other than as a director, except for payments which did not exceed the lesser of 5% of the gross revenue of the entity or, if such payments were made for personal services to the entity, \$60,000. Personal services means (A) that the remuneration is paid to the entity for personal or professional services (including legal, accounting, investment banking, management consulting and other similar services), and (B) either (i) individual performed significant services (whether or not as an employee) for the corporation, division or similar organization within the entity that actually provides the services to the Company or any member of its affiliated group, or (ii) more than 50% of the entity’s gross revenues are derived from that corporation, subsidiary or similar organization which performed the personal services.

(b) A recipient of compensation, either directly or indirectly, from the Company or a parent or subsidiary of the Company, for service rendered as a consultant or in any capacity other than as a director, except for an amount that does not exceed \$60,000;

(c) A holder of an interest in any other transaction with the Company or any of its subsidiaries that involves an amount exceeding \$60,000; or

(d) Engaged in a business relationship for which disclosure would be required pursuant to Rule 404(b) of Regulation S-K.³

³ In general, disclosure of a business relationship is required where (1) an individual has or during the last fiscal year has been an executive officer or owned more than a 10% beneficial interest in an entity that will either make payments to or receive payments from or own the debt of the Company or any of its subsidiaries where the amount involved is more than 5% of the gross revenue of either the Company or of the entity the individual owns or is employed by, (2) an individual has or was during the last fiscal year retained by the Company as (i) a member of, or of counsel to a law firm (unless the fees paid to the law firm does not exceed 5% of the law firm's gross revenues), or (ii) a partner or an executive officer of an investment bank (unless the compensation received by the investment bank does not exceed 5% of the investment bank's consolidated gross revenues), or (3) an individual has a relationship similar in nature and scope to those described in (1) or (2).