

**THREE-FIVE SYSTEMS, INC. (the “Company”)**

**COMPENSATION COMMITTEE CHARTER**

**Amended and Restated as of February 9, 2004**

**Purpose and Responsibilities**

The purpose and responsibilities of the Compensation Committee (the “Committee”) shall be as follows:

1. To review and approve corporate goals and objectives relevant to the compensation of the Company’s Chief Executive Officer (“CEO”), evaluate the CEO’s performance in light of those goals and objectives, and, either as a committee or together with the other independent directors (as directed by the Board of Directors), determine and approve the CEO’s compensation level based on this evaluation.
2. To make recommendations to the Board of Directors with respect to, or, as directed by the Board of Directors, determine and approve, non-CEO compensation, incentive-compensation plans, and equity-based plans.
3. To produce a compensation committee report on executive compensation for inclusion in the Company’s annual proxy statement or Form 10-K if the Company does not file a proxy statement, in either case in accordance with applicable rules and regulations of the New York Stock Exchange (the “NYSE”), Securities and Exchange Commission (the “SEC”), and other regulatory bodies.

The Board of Directors shall determine whether the Committee shall make determinations as a Committee or shall make recommendations to the Board of Directors.

**Composition**

The Committee shall consist of three or more members of the Board of Directors, each of whom is determined by the Board of Directors to be “independent” under the rules of the NYSE. Additionally, no director may serve unless that director (1) is a “Non-employee Director” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and (2) satisfies the requirements of an “outside director” for purposes of Section 162(m) of the Internal Revenue Code.

**Appointment and Removal**

The members of the Committee shall be appointed by the Board of Directors based on nominations recommended by the Company’s Nominating/Corporate Governance Committee. A member shall serve until such member’s successor is duly

elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board of Directors.

### **Chairman**

Unless a Chairman is elected by the full Board of Directors, the members of the Committee shall designate a Chairman by majority vote of the full Committee membership. The Chairman will chair all regular sessions of the Committee and set the agendas for Committee meetings.

### **Delegation to Subcommittees**

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee.

### **Meetings**

The Committee shall meet at least two times annually, or more frequently as circumstances dictate. The Chairman of the Committee or a majority of the members of the Committee may call meetings of the Committee. Any one or more members of the Committee may participate in a meeting of the Committee by means of conference call or similar communication device by means of which all persons participating in the meeting can hear each other.

All non-management directors who are not members of the Committee may attend meetings of the Committee, but may not vote. In addition, the Committee may invite to its meetings any director, member of management of the Company, and such other persons as it deems appropriate in order to carry out its responsibilities. The CEO should not attend any meeting at which the CEO's performance or compensation are discussed, unless specifically invited by the Committee. The Committee may also exclude from its meetings any persons it deems appropriate.

As part of its review and establishment of the performance criteria and compensation of designated key executives, the Committee should meet separately at least on an annual basis with the CEO and any other corporate officers as it deems appropriate. However, the Committee should also meet from time to time without such officers present, and in all cases, such officers shall not be present at meetings at which their performance and compensation are being discussed and determined.

### **Duties and Responsibilities**

The Committee shall carry out the duties and responsibilities set forth below. These functions should serve as a guide with the understanding that the Committee may determine to carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal, or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time related to the purposes of the

Committee outlined in this Charter. No provision of this charter shall be deemed to preclude discussion of CEO or other executive compensation with the Board of Directors generally.

In discharging its oversight role, the Committee is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate and shall have the sole authority, without seeking Board approval, to retain outside counsel and other experts for this purpose, including the authority to approve the fees payable to such counsel and experts and any other terms of retention.

*Setting Compensation for Executive Officers and Directors*

1. Establish and review the overall compensation philosophy of the Company.
2. Review and approve the Company's corporate goals and objectives relevant to the compensation for the CEO and other executive officers, including annual performance objectives.
3. Evaluate the performance of the CEO and other executive officers in light of those goals and objectives and, based on such evaluation, make recommendations to the full Board of Directors with respect to, or as directed by the Board of Directors determine and approve, the annual salary, bonus, stock options, and other benefits, direct and indirect, of the CEO and make recommendations to the full Board of Directors with respect to, or as directed by the Board of Directors determine and approve, the annual salary, bonus, stock options, and other benefits, direct and indirect, of the other executive officers.
4. In determining the long-term incentive component of compensation for the CEO and other executive officers, the Committee should consider the Company's performance and relative stockholder return, the value of similar incentive awards to CEOs and other executive officers at comparable companies, and the awards given to the CEO and other executive officers in past years. The Committee is not precluded from approving awards (with the ratification of the Board of Directors) as may be required to comply with applicable tax laws, such as Rule 162(m).
5. In connection with executive compensation programs, the Committee should do the following:
  - (a) Review and recommend to the full Board of Directors, or approve, new executive compensation programs and any material change to any such existing program or plan.
  - (b) Review on a periodic basis the operations of the Company's executive compensation programs to determine whether they are properly coordinated and achieving their intended purposes.

- (c) Establish and periodically review policies for the administration of executive compensation programs.
  - (d) Take steps to modify any executive compensation program that yields payments and benefits that are not reasonably related to executive and corporate performance.
6. Establish and periodically review policies in the area of senior management perquisites.
  7. Consider policies and procedures pertaining to expense accounts of senior executives.
  8. Review and recommend to the full Board of Directors compensation of directors as well as directors' and officers' indemnification and insurance matters.
  9. To the extent not assigned to another committee of the Board of Directors, review and make recommendations to the full Board of Directors, or approve, any contracts or other transactions with current or former executive officers of the Company, including consulting arrangements, employment contracts, change-in-control agreements, severance agreements, or termination arrangements, and loans to employees made or guaranteed by the Company.

*Monitoring Incentive-and Equity-Based Compensation Plans*

10. Review and make recommendations to the Board of Directors with respect to, or approve, the Company's incentive-compensation plans and equity-based plans, and review and oversee the activities of the individuals responsible for administering those plans.
11. Review and approve all equity compensation plans of the Company that are not otherwise subject to the approval of the Company's stockholders.
12. Review and make recommendations to the full Board of Directors, or approve, all awards of shares or share options pursuant to the Company's equity-based plans.
13. Monitor compliance by executives with the rules and guidelines of the Company's equity-based plans.
14. Review and monitor employee pension, profit sharing, and benefit plans.
15. Have the sole authority to select, retain, and/or replace, as needed, any compensation or other outside consultant to be used to assist in the evaluation of director, CEO, or senior executive compensation. In the

event such a consultant is retained, the Committee shall have the sole authority to approve such consultant's fees and other retention terms.

### *Reports*

16. Prepare a Committee report on executive compensation for inclusion in the Company's proxy statement in accordance with applicable rules and regulations of the NYSE, SEC, and other applicable regulatory bodies.
17. Report regularly to the Board of Directors with respect to matters that are relevant to the Committee's discharge of its responsibilities and 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 Chairman or any other member of the Committee designated by the Committee to make such report.
18. Maintain minutes or other records of meetings and activities of the Committee.

### **Committee Functioning**

In conjunction with the Nominating/Corporate Governance Committee of the Board of Directors, the Committee shall give consideration to the qualifications and criteria for membership of the Committee; the appointment and removal of members of the Committee; and the structure and operations of 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 valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.