

Pegasus Solutions, Inc.
Compensation Committee Charter

The Compensation Committee (the “Committee”) shall have responsibility to assist the Board of Directors (the “Board”) and to oversee, advise and counsel management regarding the Company’s benefit, compensation and incentive programs, and management development and succession. In discharging these responsibilities, the Committee shall:

1. Review and make recommendations to the Board with respect to the adoption, amendment and termination of the Company’s management incentive-compensation and equity-compensation plans, oversee their administration and discharge any duties imposed on the Committee by any of those plans;
2. Discharge the Board’s responsibilities relating to compensation of the Company’s directors and executive officers;
3. Assess the competitiveness and appropriateness of, determine, and authorize the salary, variable compensation, long term incentive plan awards, terms of employment, retirement or severance, benefits, and perquisites of the Chief Executive Officer of the Company;
4. Authorize the granting of variable compensation and equity awards to other employees and delegate to the Chief Executive Officer, to the extent permitted by law and as the Committee deems appropriate, the authority to allocate such awards, subject to the limitations set forth in the applicable plans pursuant to which such compensation or awards are to be granted;
5. Review management’s long-range planning for executive development and succession and develop a Chief Executive Officer succession plan;
6. Prepare the Committee’s annual report on executive compensation for inclusion in the Company’s proxy statement, in accordance with applicable rules and regulations, and review and approve, prior to publication, the compensation sections of the proxy statement;
7. Review and approve periodically a general compensation program and salary structure for management employees of the Company that (i) supports the Company’s overall business strategy and objectives; (ii) attracts and retains key executives; (iii) links compensation with business objectives and organizational performance; and (iv) provides competitive compensation opportunities;
8. Review and recommend for approval by the Board new benefit and compensation plans or material changes in existing plans;
9. Annually oversee the performance evaluation of the Chief Executive Officer;

10. Review and approve compensation, employment, severance, change-in-control, termination and retirement arrangements for all executive officers;
11. Review the general design and make-up of the Company's broadly-applicable benefit programs as to their general adequacy, competitiveness, internal equity, and cost effectiveness. Such responsibility shall not be deemed to include the management and administration of ERISA-qualified plans sponsored by the Company holding funds in trust for the benefit of participants;
12. Retain, at Company expense, the services of advisors, consultants and other third parties as reasonably required to perform its duties hereunder;
13. Perform other review functions relating to management compensation and Human Resources policies as the Committee deems appropriate; and
14. Conduct an evaluation of the Committee's performance and charter at least annually, and recommend to the Board such Committee Charter changes as the Committee deems appropriate.

Committee Composition and Protocol

The Committee shall be comprised solely of independent directors according to independence standards established by applicable statutes, regulations, and Nasdaq National Market rules (as amended or supplemented).

A majority of the members of the Committee shall constitute a quorum for the transaction of business. The vote of a majority of the members present at any meeting at which a quorum is present shall be the act of the Committee. The Committee shall meet at least two times each year. The Chief Executive Officer or the Committee Chairman shall have the authority to call a special meeting of the Committee whenever they deem such meeting necessary or desirable.

The Committee shall have the authority to designate, and delegate duties to, such standing and ad-hoc sub-committees as it deems necessary or desirable.

This Charter was amended by the Board on the 9th day of March, 2004.