

Compensation Committee of the Board of Directors

Charter

PURPOSE

The purposes of the Compensation Committee (the "Committee") of the board of directors (the "Board") of American Productivity & Quality Center Inc. (the "APQC") are to:

- Ensure that APQC compensation practices meet all state and federal requirements for non profit organizations while still allowing the recruiting and retaining of employees required to further APQC's mission;
- Discharge the Board's responsibilities relating to approving the compensation of APQC's officers and key managers (Executive Team); and
- Review and recommend compensation plans, policies and benefit programs for Executive Team members to the Board.

COMPOSITION AND TERM OF OFFICE

- The Committee will consist of not fewer than three members, each of whom shall be a member of the APQC board of directors.
- One member shall serve as Chairman of the Committee. The members of the Committee shall serve two-year terms, and shall be appointed by the Board annually on the day of the Annual Meeting or on such other date as the Board shall determine. Members of the Committee may be removed or replaced by the Board.
- Committee Members must not be employees of APQC.

COMMITTEE MEETINGS - OPERATING PRINCIPLES

- The Committee shall meet with such frequency and at such intervals as it shall determine is necessary to carry out its duties and responsibilities, but in any case, at least once a year.
- Meetings of the Committee may be called as needed by the Chairman of the Committee or the Chairman of the Board.

- The Chairman will preside, when present, at all meetings of the Committee. The Committee may meet in person, by telephone or videoconference and may take action by oral or written consent.
- A majority of Committee members shall constitute a quorum.
- The Committee shall have the authority to obtain advice and assistance from any officer or employee of the Corporation or from any outside legal expert or other advisor.
- The Committee may request that members of management or outside consultants and advisors of the Committee, be present to assist the Committee in performing its duties.
- Minutes of each meeting will be kept and distributed to the entire Committee.

COMPENSATION/EMPLOYEE BENEFITS RESPONSIBILITIES

The Committee shall be responsible for the following:

- Review compensation comparability data for APQC Officers and Executive Team positions. Comparability data may be based on industry surveys, documented compensation of persons holding similar positions in similar organizations, documented phone calls, expert compensation studies, or other comparable data.
- Review and approve the compensation of each officers and executive committee member, including base salary, incentive compensation, deferred compensation and other significant compensation items.
- The Committee may request additional comparability data from the HR Manager, outside consultants, or any other means that the Committee deems necessary.
- Review and make recommendations to the Board with respect to incentive compensation plans.
- Ensure that APQC has compensation policies and procedures in accordance with laws governing non profit organizations while still providing the ability to recruit and hire staff necessary to further APQC's mission.
- Confer, as needed, with the Human Resources Manager on compensation and benefit matters.

DOCUMENTATION REQUIRED

The Committee must document the basis for its determination concurrently with the approval. The documentation must include:

- The terms of the approved transaction and the date approved;
- The members of the Committee who were present during discussion on the transaction that was approved and who voted on it;
- The comparability data that was relied on by the decision making body and how the data was obtained; and

- Any actions by a member of the Committee having a conflict of interest

OTHER RESPONSIBILITIES

- Report at the annual meeting of the full Board all significant items and decisions discussed at the Committee meetings.
- Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- Take such further actions or provide such further advice as the full Board may from time to time delegate to the Committee.